SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

Saskatchewan Liquor and Gaming Authority
and
Saskatchewan Indian Gaming Authority

2000 Fall Report
Volume 2

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Vision

We envision effective, open and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly.
We are committed to fostering excellence in public sector management and accountability.

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November 3, 2000

The Honourable Ronald Osika
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2000 Fall Report - Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

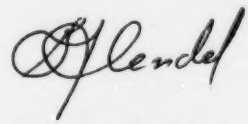
Respectfully yours,

Fred Wendel, CMA, CA
Acting Provincial Auditor

/dd

Foreword

I am pleased to present my *2000 Fall Report – Volume 2* to the Legislative Assembly. This Report includes the results of our work at Saskatchewan Liquor and Gaming Authority and Saskatchewan Indian Gaming Authority. Later this year, I will present Volume 3. Volume 3 will include the results of our work at other government organizations with years ended March 31, 2000.



Regina, Saskatchewan
November 3, 2000

Fred Wendel, CMA, CA
Acting Provincial Auditor

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Introduction

In this 2000 Fall Report – Volume 2 to the Legislative Assembly, we set out the conclusions, findings and recommendations of our Office pertaining to our audits of Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) and Saskatchewan Indian Gaming Authority (SIGA) for the year ended March 31, 2000.

In December 2000, we plan to report on our Office's audits of other government organizations with fiscal years ended March 31, 2000.

Managing electronic gaming

The electronic gaming industry is fairly new to the Province. Electronic gaming consists of video lottery terminals (VLTs) and slot machines. The Government started operating VLT gaming in 1994 and slot machine gaming in 1996. The first full year of operations for VLTs was 1995 and the first full year of operations for slot machines was 1997. In our 2000 Fall Report – Volume 1, we report that the Government's net income from gaming has increased from $27 million for the year ended March 31, 1994 to $202 million for the year ended March 31, 2000.

The Criminal Code of Canada requires provinces to own and operate these electronic games. The Government currently uses two government organizations to do so. Saskatchewan Gaming Corporation owns and operates slot machines at Casino Regina. Liquor and Gaming owns and operates all VLTs and owns and operates the slot machines at four casinos managed by SIGA.

We have followed closely the Government's management of this industry since it started. We did so because establishing new businesses or programs creates risks to the good management of public money. In past public reports, we made recommendations for improving the Government's management of public money at both the Saskatchewan Gaming Corporation and Liquor and Gaming.

Saskatchewan Gaming Corporation has acted on our recommendations and its rules and procedures for managing public money are adequate. Liquor and Gaming is acting on our recommendations. It has fully implemented some of the recommendations. It has begun to implement

the recommendations we made in our 1999 Spring Report to the Legislative Assembly regarding its management of the SIGA Casinos.

Overall, we think the Government has established good rules and procedures for its financial management of this new business except for the management of expenses to run the four casinos managed by SIGA. The Government ensures the integrity of the electronic games and ensures it receives all revenues from the VLTs and from the slot machines located at Casino Regina and at the four casinos managed by SIGA. The Government has good rules and procedures for managing expenses except the expenses to run the four casinos operated by SIGA. The problems with the expenses for the four SIGA managed casinos are very serious. SIGA's governance and management practices and its use of public money are unacceptable. The Government needs to correct the problems quickly.

Stewards of public money should spend money with due care and operate with a corporate culture of transparency. They should want to explain publicly how they plan to spend public money and they should want to account publicly for how they actually spend public money. SIGA's Board did not establish this corporate culture. In addition, SIGA's Board did not establish good rules and procedures to ensure public money was spent with due care. The Board's failure resulted in the improper use of public money that we discuss in this Report. In addition, SIGA's Board as well as Liquor and Gaming and the Legislative Assembly should have received more information about SIGA's management's actions.

We state in this Report that SIGA will not let us examine its Board of Directors' minutes. As a result, we cannot fully discharge our duties to the Assembly. This is a serious matter. This indicates to us that SIGA's Board may still not have a corporate culture of transparency, which will lead to more problems in the future.

In this Report, we also state that Liquor and Gaming needs to do a better job of setting proper expense policies for SIGA and of monitoring actual expenses incurred to ensure they are reasonable. Liquor and Gaming could have prevented some of the improper use of public money if it had ensured SIGA had proper expense policies and if it did more follow-up of actual spending practices.

We make several recommendations in this Report to improve how SIGA manages public money and to improve how Liquor and Gaming ensures SIGA manages public money properly. We also, recommend that Liquor and Gaming should determine what SIGA expenses are not reasonable and recover that money.

Our 2000 reports

In 2000, our Office has issued the following reports to the Assembly:

- *Business and Financial Plan for the Year Ended March 31, 2001: As Presented to the Board of Internal Economy;*
- *Special Report by the Provincial Auditor to the Legislative Assembly of Saskatchewan regarding Changes to The Provincial Auditor Act: February 2000;*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan on the 1999 Financial Statements of CIC Subsidiary Crown Corporations: April 2000;*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the calendar year 1999;*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2000 Spring Report;*
- *Annual Report on Operations for the Year Ended March 31, 2000; and*
- *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: Understanding the Finances of the Government: 2000 Fall Report – Volume 1.*

If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- visit our website at:
http://www.auditor.sk.ca/

- contact our Office by Internet e-mail at:
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Executive summary

This Report includes the results of our audit of Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) for the year ended March 31, 2000, a report on how Saskatchewan Indian Gaming Authority (SIGA) used public money, and our findings and recommendations on SIGA's rules and procedures to safeguard and control public money.

We decided to prepare a separate volume of our Fall Report to ensure the results of our work are timely. We wanted to provide our findings and our recommendations to the Legislative Assembly and the public before Liquor and Gaming begins negotiations for renewing the Framework Agreement and the Casino Operating Agreement. These agreements expire on December 31, 2000 and March 31, 2001 respectively. These agreements allow SIGA to operate Liquor and Gaming's slot machines and to operate casinos in Saskatchewan.

SIGA operates slot machines in four casinos for Liquor and Gaming. The revenue and expenses from these slot machines belongs to Liquor and Gaming.

Through our review of SIGA's auditor's files, we discovered that SIGA's former Chief Executive Officer (CEO) used SIGA's debit and credit cards for personal expenses. Also, we became aware that SIGA's Board of Directors gave the former CEO a retroactive salary increase to repay SIGA for these personal expenses. We notified the Minister in Charge of Liquor and Gaming of our findings and decided we needed to investigate more fully SIGA's management of public money.

Liquor and Gaming hired Ernst & Young (E&Y) to do an investigation of SIGA. We decided to work together with E&Y to do our investigation of SIGA's management of public money.

We have not yet completed our work on Liquor and Gaming's financial statements for the year ended March 31, 2000 because SIGA has not yet finalized its financial statements for the year ended March 31, 2000. We find SIGA's delay in completing its financial statements unacceptable.

We have completed our work on Liquor and Gaming's rules and procedures to safeguard and control public money and to comply with authorities. We found its rules and procedures were adequate except for the management of

public money under SIGA 's control and the registration of all gaming suppliers as required by *The Alcohol and Gaming Regulation Act*.

We found SIGA's Board of Directors did not fulfil its stewardship responsibilities for the public money managed by SIGA. SIGA's financial management practices were unacceptable. SIGA used public money improperly and there were many payments where we could not determine if SIGA used public money properly because there was no evidence to make such an assessment.

We found the following improper and questionable use of public money:

- Improper use of SIGA's debit and credit cards;
- No support for many payments. As a result, we do not know what goods and services SIGA received and whether the payments were for the management of the slot machines;
- Unauthorized salary advances;
- Travel and accommodation expenses that were not reasonable;
- Contracts that are in excess of fair market value; and
- Contracts that are of indeterminable or questionable value.

Liquor and Gaming did not adequately review and act on the actual expenses that SIGA deducted from slot machine revenue. Had Liquor and Gaming fully acted on the recommendations we made in our 1999 Spring Report to the Legislative Assembly, Liquor and Gaming could have prevented some of the improper use of public money.

To ensure SIGA complies with all the recommendations we make in Part C of this Report and to ensure the Legislative Assembly and the public receive timely information on the operations of SIGA's casinos, we plan to audit SIGA directly for the next few years.

We recommend Liquor and Gaming should determine what SIGA expenses are not reasonable and recover that money. We also recommend what Liquor and Gaming must do and what SIGA must do if it is to continue operating casinos for Liquor and Gaming. In addition, we recommend Liquor and Gaming should direct SIGA's Board to allow us full access to do our work.

Introduction

The Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) operates under *The Alcohol and Gaming Regulation Act.* The mandate of Liquor and Gaming is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

Liquor and Gaming operates retail liquor stores and video lottery terminals (VLT). It also owns and manages the slot machines at the Saskatchewan Indian Gaming Authority's (SIGA) casinos. The results of SIGA's operations are included in Liquor and Gaming's financial statements. In 1998-99, Liquor and Gaming had revenue of $549 million and net income of $299 million. Liquor and Gaming held net assets of $416 million as at March 31, 1999.

We have not completed our work on Liquor and Gaming's financial statements for the year ended March 31, 2000. We have been unable to complete our work because SIGA has not yet finalized its financial statements for the year ended March 31, 2000.

Liquor and Gaming reported the following net profits for each segment of its operations over the last three years.

Table 1

Segment	2000 unaudited	1999	1998
		(in millions)	
Liquor	$ 129.9	$ 129.5	$ 125.7
VLT	173.5	156.9	143.3
SIGA Casinos	13.4	17.0	20.3
Licensing	(5.6)	(4.6)	(4.2)
Total	$ 311.2	$ 298.8	$ 285.1

Background

The electronic gaming industry is fairly new to Saskatchewan.

Under *The Criminal Code of Canada*, only provinces have the authority to conduct and manage electronic gaming devices.

Liquor and Gaming started to operate VLTs in the Province in 1994. VLTs are restricted to establishments that have liquor permits and do not allow minors.

The Saskatchewan Gaming Corporation (SGC) was established on June 15, 1994. SGC manages Casino Regina. SGC is a Crown corporation.

On February 10, 1995, the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN), made an agreement called the Framework Agreement that permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada.* The Framework Agreement expires on December 31, 2000.

To implement the above agreement, Liquor and Gaming and SIGA signed the Casino Operating Agreement on November 24, 1995. SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995.* The Casino Operating Agreement expires on March 31, 2001.

The two agreements provide for an appropriate accountability relationship with SIGA and for the control of SIGA's operations. For example, the agreements provide that Liquor and Gaming has the right to approve the casino operating policies and directives and to approve operating budgets. Liquor and Gaming also has the right to audit casino operations at any time.

Clause 9.2(a) of the Casino Operating Agreement also restricts the activities of SIGA to the operation of casinos and the development and financing of the casinos. Clause 6.1 of the Agreement provides further restrictions on the activities of SIGA, specifically the lending of money.

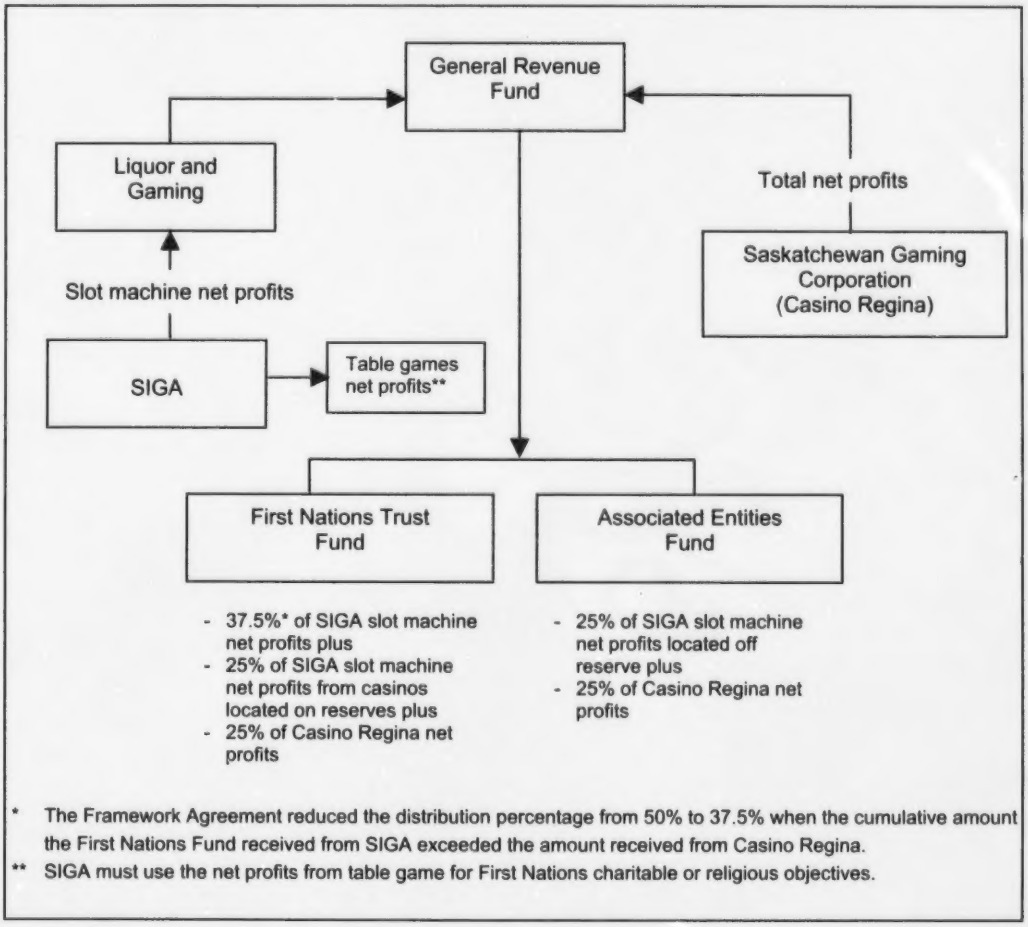
On December 1, 1995, the FSIN and the Government signed another agreement. This agreement provides for a mechanism for the Government to recover money from the First Nations Fund if SIGA fails to pay the amounts it owes to Liquor and Gaming. Clause 2 of this agreement states:

> ...Therefore, the FSIN agrees that, with respect to any amounts which are required by the Casino Operating Agreement to be forwarded by SIGA to SLGA (Liquor and Gaming) and which are

never received by SLGA (the "withheld amounts"), the Government may apply the proportion of the withheld amounts which should have been distributed to the Government and the Associated Entities Fund pursuant to section 4.12 of the 1995 Gaming Agreement (Framework Agreement), against and in satisfaction of amounts which are to be distributed to or through the First Nations Trust (First Nations Fund) pursuant to the 1995 Gaming Agreement...

The following figure shows how the Government distributes profits from casino operations in the Province.

Figure 1


General Revenue Fund
Liquor and Gaming
Total net profits
Saskatchewan Gaming Corporation (Casino Regina)
Slot machine net profits
SIGA
Table games net profits**
First Nations Trust Fund
Associated Entities Fund
- 37.5%* of SIGA slot machine net profits plus
- 25% of SIGA slot machine net profits from casinos located on reserves plus
- 25% of Casino Regina net profits
- 25% of SIGA slot machine net profits located off reserve plus
- 25% of Casino Regina net profits
* The Framework Agreement reduced the distribution percentage from 50% to 37.5% when the cumulative amount the First Nations Fund received from SIGA exceeded the amount received from Casino Regina.
** SIGA must use the net profits from table game for First Nations charitable or religious objectives.

The figure shows the net profits from the slot machine operations in the SIGA casinos flow to the Government's General Revenue Fund (GRF) through Liquor and Gaming. Under *The Saskatchewan Gaming Corporation Act*, all of the profits from Casino Regina operations flow to the GRF. The Government distributes those profits to the First Nations

Fund and the Associated Entities Fund as required by *The Saskatchewan Gaming Corporation Act* and the Framework Agreement.

Under the Framework Agreement, the Government retains 37.5% of SIGA's net profits from slot machine operations in casinos off reserve and pays 37.5% of the net profits from slot machine operations in those casinos to the First Nations Fund and 25% to the Associated Entities Fund. When the SIGA casinos are located on reserve, the Government and the First Nations Fund each receive 37.5% of the net profits from slot machine operations in those casinos. The Government does not pay any of the net profits from those casinos to the Associated Entities Fund. Instead, the Government pays an additional 25% of those net profits to the First Nations Fund. SIGA must use any profits from table games for First Nations' charitable and religious objectives.

The Government retains 50% of the net profits of Saskatchewan Gaming Corporation from Casino Regina operations and pays 25% of net profits to the First Nations Fund and 25% to the Associated Entities Fund.

What happened

Organizations that manage public money have a special responsibility to exercise due care because the money belongs to the public. They must also be fully transparent about their management of public money.

The Government chose SIGA to operate four casinos as opposed to operating them directly. The Government signed an agreement with SIGA to ensure public money is managed properly. The agreement correctly provides for Liquor and Gaming to approve all the policies and procedures of SIGA. This was necessary because the slot machine revenue is Liquor and Gaming's revenue and the expenses incurred to operate the slot machines are Liquor and Gaming's expenses.

We expected that Liquor and Gaming would have set out policies or approved policies proposed by SIGA that would define what expenses SIGA could reasonably incur and deduct from the gross revenues earned from slot machines. We also expected that Liquor and Gaming would audit the expenses that were deducted and have a process to recover expenses that Liquor and Gaming decided were not reasonable.

Liquor and Gaming did not approve any policies setting out what expenses SIGA could reasonably incur and deduct from slot machines revenues. Liquor and Gaming did look at the expenses that SIGA was incurring and deducting from slot machines revenues. Liquor and Gaming's work did not reveal the spending habits of SIGA's CEO. Liquor and Gaming wrote to SIGA about its spending practices and directed SIGA to take corrective action. SIGA replied in a letter indicating it had taken corrective action to address some matters and continued to make progress to address all other matters raised by Liquor and Gaming. Liquor and Gaming, however, did not do a timely follow up to ensure SIGA actually changed its spending practices.

Liquor and Gaming relied on a report from SIGA's auditor as a basis for not taking more action because the report did not raise new issues about SIGA's management of public money.

Liquor and Gaming had hired SIGA's auditor to provide assurance to Liquor and Gaming that SIGA had adequate rules and procedures to safeguard and control public money. SIGA's auditor's report did not identify many of the deficiencies in the rules and procedures that we report in Part C of this Report.

We decided to do more work on the management of public money managed by SIGA for the following reasons:

- we became aware of the improper use of public money by the Chief Executive Officer of SIGA and the inappropriate action of the Board of Directors of SIGA regarding this improper use of public money;
- Liquor and Gaming did not ensure SIGA had proper expense policies setting out what SIGA could incur and deduct from slot machine revenues; and
- Liquor and Gaming did not adequately review and act on the actual expenses that SIGA deducted from the revenues.

We became aware of the improper use of public money from our review of the files of SIGA's auditor. Under *The Provincial Auditor Act*, we can rely on the work of another auditor to carry out our responsibilities or we can carry out the work directly.

As part of our annual audit of Liquor and Gaming for the year ended March 31, 2000, we reviewed the work of SIGA's auditor for SIGA's year ended March 31, 2000. The purpose of our work was to decide if we would rely on the work of SIGA's auditor for forming our opinion on Liquor and Gaming's financial statements and to form our opinion on Liquor and Gaming's rules and procedures to safeguard and control public money.

On June 1, 2000, as a result of our work, we became aware that the Chief Executive Officer (CEO) of SIGA had used SIGA's debit and credit cards for personal expenses. At March 31, 2000, the total amount charged for personal expenses on those cards amounted to $360,000. We also became aware that SIGA's Board of Directors passed a motion awarding the CEO a $50,000 per annum salary increase retroactive to April 1, 1998. The evidence we have shows the purpose of the raise was to give the CEO money to repay SIGA for the personal expenses the CEO charged on SIGA's debit and credit cards and other advances that he owed SIGA.

On June 14, 2000, to comply with *The Provincial Auditor Act,* we advised the Minister responsible for Liquor and Gaming and the Minister of Finance about our concerns with SIGA's use of public money.

On June 16, 2000, Liquor and Gaming directed SIGA's Board of Directors to:

1. remove the CEO from his position;
2. rescind the Board's resolution dated May 25,2000 regarding the increase in the CEO's salary and extension of his term of office;
3. appoint a new chair for the Board, who could not hold the position of CEO;
4. confirm that debit and credit cards issued to executive staff were cancelled; and
5. provide a copy of the policy governing the use of credit and debit cards for Liquor and Gaming's approval.

SIGA complied with Liquor and Gaming's directives.

On June 26, 2000, Liquor and Gaming hired Ernst & Young (E&Y) to do an investigation of SIGA. We were involved during the planning and

execution of the investigation to ensure E&Y gathered sufficient evidence for us to form our conclusions.

We received full co-operation in doing our work except SIGA did not allow us to examine the minutes of SIGA's Board of Directors (see page 56).

What we found and who is responsible

We discuss SIGA's use of public money in more detail later in this Report.

Our findings centre on the following improper or questionable use of public money:

- improper use of SIGA's debit and credit cards;
- no support for payments with the result that we do not know what goods and services SIGA received and whether the payments were for the operation of the slot machines;
- unauthorized salary advances;
- travel and accommodation expenses that were not reasonable;
- contracts that were in excess of fair market value; and
- contracts of indeterminable or questionable value.

As stewards of public money, SIGA's Board of Directors should have established adequate policies and procedures for managing public money. The Board should have ensured that SIGA had an appropriate code of conduct including conflict of interest policies and that SIGA's goals and objectives were clear. The Board should have also ensured that SIGA's management established and implemented appropriate policies and procedures for controlling expenses and maximizing revenues.

To ensure SIGA had adequate rules and procedures to safeguard and control public money, Liquor and Gaming should have implemented the recommendations for improvement we made in our 1999 Spring Report. Liquor and Gaming should have also set policies that defined what expenses SIGA could reasonably incur and deduct from slot machine revenues. In addition, Liquor and Gaming should have adequately reviewed and acted on the actual expenses that SIGA did deduct from slot machine revenues.

What now

Liquor and Gaming needs to determine the amount of money that SIGA improperly deducted from slot machine revenues. Liquor and Gaming then needs to recover the money that SIGA improperly deducted from slot machine revenues.

As we stated earlier, the agreement dated December 1, 1995 between FSIN and the Government allows the Government to recover the money that SIGA improperly deducted from slot machine revenues from the amounts the Government agreed to pay to the First Nations Fund.

If SIGA is to continue operating casinos for Liquor and Gaming, SIGA must improve its management of public money it handles for Liquor and Gaming. Liquor and Gaming also needs to improve how it manages the public money under SIGA's control.

Our future plans

We found many instances of improper use of public money under SIGA's control that were not reported by the SIGA's auditor. Also, SIGA's auditor did not identify and report all the deficiencies in SIGA's rules and procedures to safeguard and control public money under SIGA's control.

To ensure SIGA complies with all the recommendations we make in Part C of this Report and to ensure the Legislative Assembly and the public receive timely information on the operations of SIGA's casinos, we plan to audit SIGA directly for the next few years.

1. **We recommend Liquor and Gaming should direct SIGA's Board to allow us full access to do our work directly.**

Purpose of our Report

The purpose of our Report is to inform the Legislative Assembly what we found and what we think Liquor and Gaming should do to ensure public money under SIGA's control is managed well. We decided to prepare a separate volume of our Fall Report to ensure the results of our work are timely.

As we stated earlier, both the Framework Agreement and the Casino Operating Agreement end within the next few months. We want to provide our recommendations to the Legislative Assembly and the public before Liquor and Gaming begins negotiations for renewing those two agreements. Those agreements deal with how casinos must operate and how profits from those casinos are distributed. The Framework Agreement expires on December 31, 2000. The Casino Operating Agreement expires on March 31, 2001.

Structure of our Report

We have organized our Report in three parts.

Part A – Results of our audit of Liquor and Gaming

In this Part, we provide the results of our audit of Liquor and Gaming for the year ended March 31, 2000.

Part B – SIGA's use of public money

In this Part, we provide background information about SIGA and set out SIGA's use of public money. We compare that use to Treasury Board Crown corporations and Liquor and Gaming.

Part C – SIGA's rules and procedures to safeguard and control public money

In this Part, we assess the adequacy of SIGA's rules and procedures to safeguard and control public money and to comply with authorities. We also make recommendations on what Liquor and Gaming must ensure SIGA does to improve its management of public money.

Part A – Results of our audit of Liquor and Gaming

Objectives of our audit

The objectives of our audit were to determine:

- whether Liquor and Gaming's financial statements for the year ended March 31, 2000 are reliable;
- whether Liquor and Gaming had adequate rules and procedures to safeguard and control its assets and to comply with authorities; and
- whether Liquor and Gaming complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.

Our audit conclusions and findings

We have not yet completed our audit of Liquor and Gaming's financial statements for the year ended March 31, 2000. We have not completed our work because SIGA has not yet finalized its financial statements for its year ended March 31, 2000. As we stated earlier, the revenues and expenses of SIGA are included in Liquor and Gaming's financial statements.

We have completed our work on Liquor and Gaming's rules and procedures to safeguard and control its assets and to comply with authorities except that SIGA did not provide us its Board of Directors' minutes. Had we examined SIGA's Board minutes we may have made more recommendations (see page 56).

In our opinion, for the year ended March 31, 2000:

- **Liquor and Gaming had adequate rules and procedures to safeguard and control its assets and to comply with authorities except for the management of public money under SIGA's control; and**
- **Liquor and Gaming complied with authorities governing its activities relating to financial reporting, safeguarding assets,**

revenue raising, spending, borrowing, and investing except for the registration of gaming suppliers.

Liquor and Gaming needs to ensure it manages public money under SIGA's control

As we stated earlier, under *The Criminal Code of Canada*, only provinces have the authority to conduct and manage electronic gaming devices (e.g., slot machines, video lottery terminals). Liquor and Gaming made a Casino Operating Agreement (Agreement) with SIGA.

The Agreement addresses the issues of the management of slot machines and table games. One of the terms and conditions requires SIGA to establish and maintain accounting control procedures and systems to ensure public money is protected and transactions are properly executed.

Also, under the Agreement, Liquor and Gaming has the right to determine what expenses SIGA can reasonably incur and deduct from slot machine revenues. Liquor and Gaming also has the right to decide SIGA's operating policies and to approve SIGA's financial plans. These authorities are necessary because the expenses SIGA incurs to operate slot machines are Liquor and Gaming's expenses.

Well-run organizations prepare complete business plans including a financial plan. A business plan includes what objectives an organization intends to achieve, what resources it needs and how it would achieve those objectives.

SIGA did not prepare a complete business plan for Liquor and Gaming. Liquor and Gaming did provide SIGA guidelines for preparing annual financial plans. SIGA, however, did not follow those guidelines.

As stated earlier, we expected Liquor and Gaming would have policies setting out what expenses SIGA could incur and deduct from slot machine revenues and would audit regularly the expenses that SIGA deducted from slot machine revenues. We also expected Liquor and Gaming would have a process to recover expenses that Liquor and Gaming decided were not reasonable for SIGA to deduct from the slot machine revenues. In addition, we expected Liquor and Gaming would

ensure SIGA established and maintained accounting control procedures to ensure public money is protected.

We found that Liquor and Gaming did not ensure SIGA had appropriate policies setting out what expenses it could incur and deduct from Liquor and Gaming's slot machine revenue. However, Liquor and Gaming did look at the expenses that SIGA was deducting from slot machine revenues. As we stated earlier, Liquor and Gaming wrote to SIGA detailing the issues Liquor and Gaming identified and what corrective actions SIGA must take to resolve those issues. SIGA replied in a letter indicating it had addressed some issues and continued to make progress in addressing the rest of the issues. Liquor and Gaming, however, did not follow up to ensure SIGA had actually acted on Liquor and Gaming's recommendations.

Liquor and Gaming took reasonable steps to ensure that SIGA had established adequate accounting control systems for casino operations and to ensure those systems were working. Liquor and Gaming engaged SIGA's auditor to provide a report on the adequacy of SIGA's rules and procedures to safeguard and control public money and whether those control procedures operated effectively.

SIGA's auditor provided its report on the adequacy and effective operation of SIGA's rules and procedures for the year ended March 31, 1999. The auditor reported that SIGA's control procedures were suitably designed and operated effectively from April 1, 1998 to March 31, 1999, except for the following:

- Liquor and Gaming needed to give final approval for the manuals for table and slot operations;
- SIGA needed written guidelines for submitting contracts to SIGA's Board for approval;
- SIGA needed to consistently follow its procedures for the daily drop and for access to count rooms, to cage and vault areas and to slot machine keys; and
- SIGA needed to have an independent review and approval of its bank transfers.

Liquor and Gaming told us that it relied on the report it received from SIGA's auditor. Liquor and Gaming also told us that it did not do any

additional procedures because the auditor's report did not raise issues that it was not already aware of and had already asked SIGA to correct. When we looked at SIGA's rules and procedures to safeguard and control public money, we did not form the same conclusions as SIGA's auditor (see Part C of this Report).

Liquor and Gaming had adequate controls to ensure SIGA recorded slot machine revenues accurately. Liquor and Gaming obtained independent reports from the Western Canada Lottery Corporation (WCLC) showing how much money SIGA received from the slot machines. Liquor and Gaming regularly compared the information it received from WCLC to the information it received from SIGA.

Liquor and Gaming's agreements with FSIN have an adequate process to recover expenses that Liquor and Gaming determines are not reasonable for SIGA to deduct from the slot machine revenues. The Government can recover its money by withholding payments due to the First Nations Fund.

Recovery from SIGA is not possible because SIGA has no money of its own. SIGA manages the public money earned through slot machines for Liquor and Gaming. Also, SIGA must use any profits from table games for First Nations' charitable or religious objectives or purposes. Accordingly, the only public money available to Liquor and Gaming for recovery under the Framework Agreement is the money the Government owes to the First Nations Fund.

In our 1999 Spring Report, we made eight recommendations for improving SIGA's rules and procedures for managing public money under SIGA's control. Liquor and Gaming has made some progress toward implementing our recommendations. More is needed to fully implement our recommendations.

The failure of SIGA's Board to manage SIGA properly resulted in improper and questionable payments. Liquor and Gaming might have prevented some of these payments had it fully acted on our 1999 recommendations.

We think Liquor and Gaming must decide what expenses that SIGA has deducted from slot machine revenue are not reasonable and recover that money as provided in the agreements (see page 8).

Also, if SIGA is to continue to operate Liquor and Gaming's slot machines at SIGA's casinos, Liquor and Gaming must ensure that SIGA implements the recommendations we make in Part C of this Report. Liquor and Gaming needs to do this to ensure public money is properly managed.

Because of what we report in Parts B and C of this Report, Liquor and Gaming should also do frequent audits of SIGA to ensure SIGA complies with the Framework and Casino Operating Agreements and to ensure only reasonable expenses are deducted from Liquor and Gaming's slot machine revenues. For example, the Casino Operating Agreement restricts SIGA from engaging in activities other than the operation of casinos. Expenses that are not for casino operations are not reasonable (see Part B for examples of improper and questionable expenses). Liquor and Gaming should ensure it has the necessary resources to audit SIGA frequently.

As we stated earlier, the revenue and the expenses related to the slot machines belong to Liquor and Gaming. Liquor and Gaming does not publicly report a list of persons who received public money from SIGA. We think Liquor and Gaming should publicly report a list of persons who received public money under SIGA's control.

2. **We recommend Liquor and Gaming determine what SIGA payments to date are not reasonable deductions from public money and recover that money as provided by the agreements.**

3. **We also recommend that if SIGA is to continue to operate casinos for Liquor and Gaming, Liquor and Gaming should:**

   - **ensure SIGA implements the recommendations we make in Part C of this Report;**
   - **ensure it has the necessary resources to frequently audit SIGA;**
   - **frequently audit SIGA's operations to ensure:**
     - **SIGA complies with the Framework and Casino Operating Agreements;**
     - **SIGA incurs and deducts only reasonable expenses from public money;**
   - **recover any expenses that are not reasonable; and**

- **make public a list of persons who received public money from SIGA following the Standing Committee on Public Accounts' recommendations.**

In addition, we continue to recommend that Liquor and Gaming should fully implement the eight recommendations we made in our 1999 Spring Report. We note Liquor and Gaming has made some progress in addressing our past recommendations. However, more is needed to fully implement those recommendations. We repeat those recommendations below.

Exhibit 1

In our 1999 Spring Report, we recommended Liquor and Gaming should:

1. **prepare a formal training plan for its employees and should coordinate work among its branches.**
2. **work with SIGA to establish appropriate governance and conflict of interest policies for SIGA casinos.**
3. **ensure inspection/audits are completed as planned or document why the plan was changed.**
4. **document procedures for reporting and following up its audit /inspection findings with SIGA.**
5. **receive and formally approve SIGA's casino operating policies and procedures on a timely basis.**
6. **work with SIGA to establish an internal audit function at SIGA.**
7. **receive SIGA's external auditor's report on the adequacy of SIGA's internal controls within 90 days of SIGA's year end and follow up on any matters reported in that report.**
8. **receive and approve SIGA's budget on timely basis and should have procedures for approving changes to the budget.**

Registration of gaming suppliers

Liquor and Gaming did not register all gaming suppliers as required by *The Alcohol and Gaming Regulation Act* (Act).

Liquor and Gaming issues licenses to gaming establishments. Under the Act, gaming establishment means any premises in which a lottery scheme is licensed to operate. The terms and conditions of those licenses require the licensees to ensure all their employees and those who provide gaming services hold a certificate of registration (license) from Liquor and Gaming.

Liquor and Gaming currently licenses all employees who work in gaming establishments.

The Act requires all gaming suppliers to the licensed gaming establishments (gaming operators) must hold a valid certificate of registration (license) from Liquor and Gaming. Such a license provides assurance to the gaming operators that Liquor and Gaming is satisfied about the character and capability of the gaming suppliers.

The Act requires those who lease premises to gaming operators and who have an interest in the management of gaming operations must hold a certificate of registration (license) from Liquor and Gaming. The Act also requires gaming suppliers who provide promotional, financial or management services must hold a certificate of registration (license) from Liquor and Gaming.

Liquor and Gaming, however, did not have rules and procedures to ensure that all gaming operators deal with licensed suppliers.

Liquor and Gaming did not provide adequate guidelines to gaming operators for registration of all gaming suppliers. Liquor and Gaming defined gaming suppliers as only those who provide supplies directly related to gaming devices.

Liquor and Gaming did not register all suppliers providing premises to gaming operators and who have an interest in the management of gaming operations. Nor did Liquor and Gaming register all those suppliers providing promotional, financial or management services to gaming operators.

Although, the gaming operators must ensure all their gaming suppliers hold licenses as required by law, Liquor and Gaming is responsible to ensure all gaming operators comply with the law. To do so, Liquor and Gaming must have a registry of licensed gaming suppliers in the Province.

4. **We recommend Liquor and Gaming should establish rules and procedures to register all gaming suppliers as required by *The Alcohol and Gaming Regulation Act*.**

Part B – SIGA's use of public money

In this Part of our Report, we provide background information about SIGA, details of the former CEO's advances, and set out SIGA's use of public money.

Objectives of our work

The objective for this part of our work is to provide a report on how SIGA used public money at SIGA's disposal and to compare that use to the policies used by Saskatchewan government organizations. We provide this comparison because:

- SIGA did not have proper expense policies;
- Liquor and Gaming did not establish policies setting out what expenses SIGA could reasonably incur and deduct from slot machine revenues; and
- SIGA's use of public money is not transparent.

To provide a benchmark to compare SIGA's use of public money, we looked at policies followed by government agencies that operate as entrepreneurs and Liquor and Gaming.

Background of SIGA

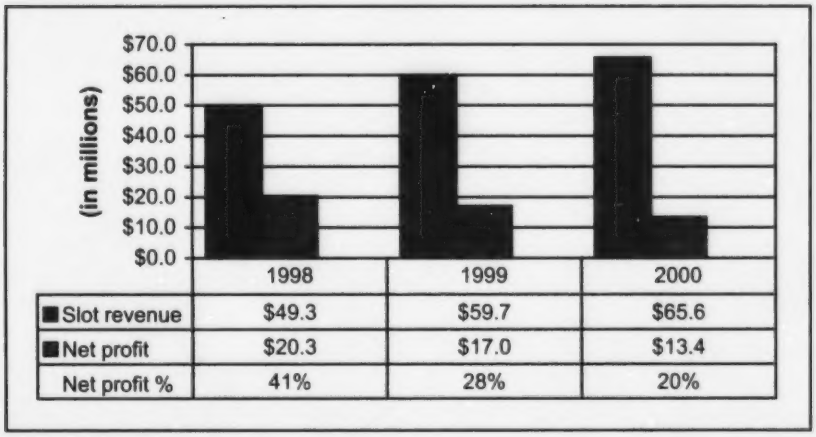
SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. The members of SIGA are the FSIN and its Tribal Councils. SIGA is licensed by Liquor and Gaming to conduct and manage table games. The Casino Operating Agreement (Agreement) requires SIGA to use the net proceeds from the operations of licensed table games for First Nations charitable or religious objectives or purposes.

Liquor and Gaming owns and manages the slot machines located in the SIGA casinos, as required by section 207 of *The Criminal Code of Canada*. The revenue from the slot machines belongs to Liquor and Gaming and is, therefore, public money. The Agreement allows SIGA to deduct reasonable costs of operating the casinos from the slot machine revenues. SIGA is required to remit the net profit from the slot machines to Liquor and Gaming.

Under the Agreement, Liquor and Gaming has the right to determine what costs SIGA can incur, to decide SIGA' s operating policies and directives, and to approve SIGA's financial plans.

The results of the slot machine operations are as follows:

Graph 1



	1998	1999	2000
Slot revenue	$49.3	$59.7	$65.6
Net profit	$20.3	$17.0	$13.4
Net profit %	41%	28%	20%

The above graph shows that while the slot machine revenues increased every year for the last three years, the net profits decreased every year.

Most of the decrease in the net profits is the result of increases in expenses for advertising and promotion, general administration, and ancillary operations.

SIGA's advertising and promotion expenses increased from $5.2 million in 1998 to $12.3 million in 2000. For the same period, general administrative expenses went up from $4 million to $8.6 million and ancillary operations went up from $1.6 million to $6.5 million (see page 69 for SIGA's expenses for the last three years).

SIGA's operations and profit sharing arrangements

Since its inception, SIGA has created employment for First Nations people. SIGA has also significantly contributed to economic development in the Province.

During the last three years, SIGA created full-time/part-time employment for approximately 1,160 people. SIGA's work force increased from 850 employees in 1998 to approximately 1,160 in 2000. SIGA's payroll increased from $18.1 million in 1998 to over $21.2 million in 1999 and $23.7 million in 2000. Most employees are First Nations people.

SIGA's contribution to provincial economic development can be measured by the money it spends for acquiring goods and services including the salaries and benefits for its work force. In 1998, SIGA spent approximately $36.5 million to acquire goods and services. In 2000, SIGA spent approximately $63.9 million. We think this is a very significant contribution to the provincial economy.

The following table shows SIGA's revenues, expenses and net profits for the last three years.

Table 2

	2000 unaudited	1999	1998
		(in millions)	
Total revenue	$ 77.3	$ 69.8	$ 56.8
Total expenses	63.9	52.8	36.5
Net profits	$ 13.4	$ 17.0	$ 20.3

Liquor and Gaming allowed SIGA to operate four casinos created under the Framework Agreement between FSIN and the Government of Saskatchewan.

The Framework Agreement and *The Saskatchewan Gaming Corporation Act* also outline how SIGA casino profits and Saskatchewan Gaming Corporation profits are allocated. Under the Framework Agreement, Saskatchewan First Nations are entitled to a share of net casino profits. The Government pays the net profits to a Provincial Government Agency called the First Nations Fund. The First Nations Fund is responsible for carrying out economic development, social development, justice, health, and other initiatives related to Indian Bands.

SIGA manages the public money earned through slot machines for Liquor and Gaming. Also, any profits from table games must be used by SIGA for charitable or religious objectives or purposes.

Our findings

First, we discuss issues related to SIGA's former Chief Executive Officer (CE0). Following this discussion, we discuss SIGA's use of public money based on the significant expenses set out in SIGA's financial statements (see Schedule 1 on page 69).

Appointment of CEO

In February 1996, a Vice-Chief of the FSIN was appointed as acting CEO after SIGA's Board dismissed its CEO. The acting CEO had been with the FSIN since October 1985.

In the spring of 1996, the Board hired a consultant to do an executive search for the position of CEO for SIGA. The consultant did the search and provided a list of candidates for the position. We were told the selection committee of the Board interviewed everyone on the consultant's list. We were also told the acting CEO did not submit a resume and was not interviewed by the selection committee.

On June 27, 1996, the acting CEO was appointed as the CEO of SIGA.

Under the law, all gaming employees in the Province must be registered by Liquor and Gaming. To qualify for registration, the applicant must be of good character and have suitable training or experience.

Gaming employees are required to apply to Liquor and Gaming and provide details of their training and experience. The CEO's application does not contain details about the CEO's training and experience. Liquor and Gaming did not do a background check to ensure the applicant had suitable training and experience for the position. Liquor and Gaming told us because the applicant was a FSIN Vice-Chief at the time of the application, a detailed background check was not considered necessary.

We are unable to find any evidence about the CEO' s training and experience for the job.

We think Liquor and Gaming should perform detailed investigations, including a background check, for all applicants. Liquor and Gaming told

us it has revised its rules for investigating applications for gaming employees.

CEO's employment contract

SIGA's Board of Directors signed the CEO's contract on August 1, 1996. The key terms of the contract were as follows:

- term of the contract was to March 31, 2001;
- annual salary of $110,000 with annual increments to be determined after performance appraisals and at the discretion of the Board;
- SIGA was to provide a vehicle for use by the CEO in carrying out his duties, or a monthly allowance as approved by the Board;
- the CEO was entitled to reasonable airline fare, hotel bills and other necessary and proper expenses when travelling on SIGA's business outside of the City of Saskatoon, according to the policy set by the Board from time to time.

The contract authorized SIGA to deduct from any payment due to the CEO at any time, any amounts the CEO owed to SIGA by reasons of purchases, advances or loans.

On September 29, 1998, the Board amended the CEO's contract effective April 1, 1998 to provide for the following:

- term of the contract was extended to March 31, 2002;
- annual salary was increased to $150,000. Annual increments to be determined subject to performance appraisal and at the discretion of the Board;
- accommodation allowance of $1,500 per month; and
- annual performance bonus of 2.5% of net annual profits exceeding $14 million.

For the year ended March 31, 2000, the CEO received pay totalling $186,580 (1999 - $246,055). The total pay was made up as follows:

Table 3

	2000	1999
Salary	$ 150,000	$ 150,000
Accommodation allowance	18,000	18,000
Performance bonus	---	75,475
Relocation allowance	15,000	---
Year-end bonus	2,080	2,080
Christmas bonus	500	500
Board administrative bonus	1,000	---
Total pay	$ 186,580	$ 246,055

The above pay is not subject to federal or provincial income tax, since SIGA's Head Office is located on a reserve and the former CEO was a Status Indian (see page 35).

In addition, the CEO received other benefits including automobiles, cell phones, computers, etc. (see page 31).

CEO credit and debit cards

In November 1997, SIGA obtained a debit card from the Battleford Credit Union for use by the CEO. SIGA received two copies of the debit card from the Credit Union. The CEO and the Vice President, Finance (CFO) each received a copy of that debit card.

The debit card works in the same way as any credit card except that the amount is taken from SIGA's bank account at the time of transaction rather than later. At times, the CFO directed SIGA's main banker to transfer money to the Credit Union to pay for debit card charges.

In 1998, the CEO also obtained a corporate credit card in his name through MasterCard from the Credit Union's Credit Branch in Regina. The card had a credit limit of $15,000.

SIGA received regular monthly statements of charges from the debit and credit cards showing the transactions. SIGA paid the credit card on receipt of the statements.

SIGA's Controller reviewed the transactions reported on the statements received for the debit and credit cards and assessed whether the

transactions should be recorded as advances to the CEO for personal expenses, or as SIGA's expenses. The Controller prepared a summary of the allocation of the transactions and provided this summary to the CEO for his review and approval. We saw no evidence that the CEO reviewed and approved those summaries. The CEO never submitted any evidence that any of the transactions recorded as SIGA's expenses were for business purposes.

KPMG, SIGA's auditor, told us the CEO confirmed that he owed money to SIGA for personal expenses and agreed that SIGA recorded correctly the amounts due from the CEO for personal expenses.

From the dates the debit and credit cards were issued to the CEO to June 2000, the CEO spent $714,816 using these two cards. SIGA's Controller recorded $391,775 of this total to the CEO's advance account for personal expenses and $323,041 to various SIGA expense accounts. SIGA recovered $65,160 as deductions from the CEO's salary and bonus leaving a balance of $649,656 for advances and unsupported expenses from these cards.

We determined some of the transactions included in $323,041 charged to SIGA's expense accounts were not for business purposes (see page 30).

CEO's advances

As we stated earlier, the Controller recorded a total of $391,775 as the CEO's advances. In addition, the CEO received salary advances totalling $85,000 during the year ended March 31, 2000 and another $10,000 in May 2000. We do not know whether SIGA's Board approved salary advances to the CEO.

To ensure the Controller's allocation of expenses was accurate, we analyzed the total of $391,775 that SIGA's Controller recorded as the CEO's advances. Our analysis shows the CEO withdrew cash of $152,685 and charged personal expenses totalling $239,090 on debit and credit cards. These amounts have been correctly recorded as advances.

The CEO received monthly allocation summaries from SIGA's Controller. We did not see any evidence of any changes to those summaries by the CEO. Nor did we see any evidence of the CEO's approval of those

summaries. However, after March 31, 2000, the CEO did confirm that SIGA's records correctly showed amounts due from him for personal expenses.

On May 25, 2000, SIGA's Board approved a salary increase of $50,000 per year for the CEO retroactive to April 1, 1998. The evidence we have shows the Board directed the CFO to apply the salary increase for the fiscal years 1999 and 2000 (totalling $100,000) to reduce the CEO's advance account.

On May 26, 2000, the CEO requested and received a salary advance of $10,000. We do not know who authorized this salary advance. In June 2000, because of direction from Liquor and Gaming, SIGA's Board rescinded the CEO's salary increase and ended the CEO's employment.

CEO's business expenses charged on debit and credit cards

We said earlier, the CEO never provided support for the expenses he charged on the debit and credit cards. However, the CEO confirmed to SIGA's auditor that SIGA correctly recorded amounts due from him for his personal expenses.

We reviewed the description of some of the transactions on the debit and credit card statements for the $323,041 recorded as expenses and compared them to the Controller's allocation summaries. For some of those transactions, we obtained more information from the organizations that provided the goods or services to the CEO.

We found all of the transactions we reviewed were of a personal nature rather than business expenses. For example, the CEO purchased clothing, car rentals and other services of a personal nature. Some of the signed slips showed family members rather than the CEO received the goods and services that were charged on the CEO's corporate cards. Accordingly, we concluded that the entire $323,041 is recoverable from the CEO.

Although SIGA's Controller recorded all these items as business expenses on the allocation summaries, the CEO never asked the Controller to amend the allocation.

Because the CEO was spending approximately $35,000 monthly on those cards, we think the CFO should have reviewed the debit and credit card statements and the related allocation summaries.

CEO retention of corporate assets

In addition to his salary and bonuses, for the year ended March 31, 2000, the CEO received the following assets for personal use.

- 2000 Cadillac Escalade
- Toyota 4 Runner
- Jeep Grand Cherokee
- Chubb security system
- Computers and related equipment
- 3 Cellular telephones

The CEO's employment ended on June 21, 2000. The CEO returned the Toyota 4 Runner and the Jeep Grand Cherokee to SIGA. However, at the time of our Report, the following corporate assets were still in the former CEO's possession:

Table 4

	Estimated value
2000 Cadillac Escalade	$ 43,000
Chubb security system	6,500
Computer and other equipment	4,000
Cellular telephones (3)	250
	$ 53,750

To determine how much money the CEO owes to SIGA, SIGA's management estimated the value of these assets.

CEO accommodation allowance

As we stated earlier, effective April 1, 1998, SIGA gave the CEO an accommodation allowance of $1,500 per month.

On May 29, 1999, the CEO requested and received a payment of $54,000 for accommodation allowances for the period April 1998 to March 2001. The CEO's employment ended on June 21, 2000. As a

result, the CEO owes SIGA $13,500 for accommodation allowance for the period July 2000 to March 2001.

Amounts due from the CEO

To determine the total amounts due from the CEO, we examined the amounts of cash withdrawn by the CEO through corporate debit and credit cards. We also examined the expenses the CEO charged on those cards from April 1, 2000 to the date his employment ended. In June 2000, on Liquor and Gaming's demand, SIGA cancelled the corporate debit and credit cards and ended the CEO's employment. Based on our investigation, the CEO owes SIGA at least $811,906. We provide a summary of some of the amounts owed to SIGA by the former CEO totalling $811,906. We discuss later in this Report that the CEO received significant sums of money for travel advances. The CEO has not submitted expense reports or receipts for the advances. Also, we discuss that many of the trips are of questionable value to SIGA's purposes.

As a result, in addition to the $811,906, the CEO owes an undetermined amount for travel advances that the CEO has received, for which he has not submitted expense reports with receipts. The CEO also owes SIGA for the costs of the questionable trips that are not for SIGA's purposes. SIGA needs to determine the amount and recover the money.

Because SIGA did not regularly recover money advanced to the CEO, SIGA financed the CEO's lifestyle and violated the terms of the Casino Operating Agreement. The Casino Operating Agreement provides restrictions on the activities of SIGA specifically the lending of money (see page 8).

Summary of some of the amounts due from the CEO

Personal expenses paid by SIGA recorded as advances:		
Balance at March 31,1999	$ 94,946	
Personal expenses paid by SIGA	123,923	
Cash withdrawals (debit and credit cards)	120,757	
Salary advances	85,000	
Repayments	(65,160)	
Total per SIGA records at March 31,2000		359,466
April to June 2000 transactions:		
Cash withdrawals	31,928	
Personal expenses paid by SIGA recorded as advances	20,221	
Salary advance	10,000	
		62,149
Debit/Credit card charges that SIGA recorded as expenses:		
November 1997 to March 1999	107,469	
April 1999 to March 2000	170,026	
April 2000 to June 2000	45,546	
		323,041
Value of assets not returned:		
2000 Cadillac Escalade	$43,000	
Chubb security system	6,500	
Computer and other equipment	4,000	
Cellular telephones (3)	250	
		53,750
Prepaid accommodation allowance		13,500
Advances, benefits and unsupported expenses to June 30, 2000 except for travel advances and questionable trips		**$ 811,906**

At the date of this Report, SIGA has not recovered the amounts due from the former CEO.

Advances to other employees and contractors

We examined other advances that were due to SIGA from individual employees or contractors. SIGA's records show $168,000 was owing from employees at March 31, 2000. Ten employees owe $64,000 of these advances. Most of these advances were outstanding for more than 90 days. For the year ended March 31, 2000, SIGA also reduced advances owing from employees by approximately $72,000 and recorded this amount as travel related expenses without receiving expense reports.

SIGA's contractors also owed SIGA approximately $390,000. Battleford Tribal Council, Prince Albert Development Corporation and Selwyn Lake owed SIGA $181,000, $150,000 and $19,500 respectively. The first two organizations provided marketing and promotion services to SIGA. We discuss SIGA's marketing and promotion practices later in this section of our Report. Advances to Selwyn Lake include a deposit of $13,500 for the use of a fishing lodge for a management retreat (see page 45).

How did SIGA use public money

The following table shows three years of SIGA's expenses. We obtained this information from SIGA's audited financial statements for the years ended March 31, 1998 and 1999 and SIGA's draft financial statements for the year ended March 31, 2000. SIGA's Board of Directors has not yet approved the financial statements for the year ended March 31, 2000.

Table 5

	2000 unaudited	1999	1998
		(in millions)	
Salaries and benefits	$ 23.6	$ 21.2	$ 18.1
Advertising and promotion	12.3	11.0	5.2
General administration	8.6	6.0	4.0
Ancillary operations	6.5	4.8	1.6
Building rental	2.0	1.9	1.6
Equipment rental	3.5	3.3	2.1
Consulting	1.6	1.3	1.0
Board expenses	0.5	0.4	0.3
Saskatchewan Indian Gaming Licensing (SIGL) fee	0.9	1.1	0.5
Other expenses	4.4	1.8	2.1
Total expenses	$ 63.9	$ 52.8	$ 36.5

We discuss SIGA's use of public money for each of the expense headings noted above.

Salaries and benefits

The basic framework for all compensation plans includes job descriptions, job analysis, job evaluation, job pricing, and pay structure. Most public sector organizations establish compensation plans for their employees. Those plans show employee classifications, competencies required for those classifications, and pay for those classifications including a process for employees' performance evaluations. Organizations also document and communicate what benefits their employees will receive and when they become entitled to receive those benefits.

We did not find evidence of a centralized compensation plan for SIGA's casinos or a classification plan at any of its casinos.

Under *The Income Tax Act*, employees who are Status Indians and who work on reserve do not pay provincial income tax on their salaries. Also, Status Indian employees who live off reserve but earn salaries from an employer operating on a reserve do not pay income tax on their salaries.

SIGA's Head Office is located on an urban reserve. Accordingly, its employees who are Status Indian do not pay provincial income taxes. SIGA employs approximately 1,160 employees. Most of those employees are Status Indians. We found SIGA had appropriate employees' tax status declarations on file and SIGA deducted appropriate tax from employees' salaries based on those declarations.

The following table shows the number of employees that SIGA had for each of last three years and the estimated average salary, including some benefits, SIGA paid its employees.

Table 6

	2000	1999	1998
Number of employees	1,160	1,063	850
Total salaries in millions (including benefits)	$ 23.6	$ 21.2	$ 18.1
Estimated average salary (including some benefits) for each employee	$ 20,376	$ 19,922	$ 21,270

The following table shows the salaries of SIGA's Vice-Presidents.

Table 7

	2000
Vice-President Finance	$ 98,400
Vice-President Human Resources	75,000
Vice-President Management Information Systems	78,750
Vice-President Marketing	70,000
Vice-President Operations	98,200
Vice-President Security	79,000

Well-managed organizations also establish a system of staff performance evaluation to ensure career development for staff members and to ensure employees perform as expected. We did not see any evidence of regular performance evaluation for the staff and management of SIGA. The lack of a performance evaluation system increases the operating costs of organizations and allows non-performers to escape consequences. Lack of proper planning for staff evaluation and staff development could result in waste of training budgets and increased costs.

Liquor and Gaming and other public sector organizations establish policies and procedures to determine who should receive benefits like the use of corporate credit cards, an automobile or an automobile allowance and other equipment, such as cellular phones and computers. SIGA did not have a written policy setting out what benefits individuals are entitled to receive and when are they entitled to receive those benefits.

SIGA provided its employees and management with automobiles and cellular phones. Some general managers and a vice-president received luxury automobiles (e.g., GMC Yukon, Chevrolet Tahoe) for personal and business use. SIGA leased these vehicles from various dealers. SIGA made monthly lease payments on these vehicles ranging from $940 to $1,065. SIGA is also responsible for the maintenance and operations of these vehicles. Public sector organizations in Saskatchewan do not provide luxury vehicles. Public sector organizations provide either a corporate automobile through Saskatchewan Property Management Corporation (SPMC) or a maximum of $350 monthly automobile allowance. The corporate automobiles that SPMC provides to public sector organizations are mini-vans and mid-sized sedans.

Certain employees and management also received cellular phones with a maximum usage of $350 per month for employees and $500 per month for managers and above. SIGA paid the monthly bills for those phones and did not ask individuals to provide details of personal use of those phones if the monthly bill was within the above limits. Public sector employees are required to submit details of monthly charges showing personal and business usage of cellular phones. During 2000, SIGA recorded telephone expenses of $245,696 (1999 - $231,399) under General and administration expense. SIGA management could not tell us how many and which employees had corporate cell phones.

Advertising, promotion and sponsorship

Liquor and Gaming and other public sector organizations set out their plans for advertising and promotion expenses each year. Those plans include what objectives they want to achieve and how best to do them given the monetary constraints. Management usually presents a business case for advertising and promotion expenses showing, how much they want to spend and how that expenditure would impact their revenue generating activities. Once those plans are approved, management would carry out those plans and provide their assessments of the projects' success and lessons learned for future planning.

We did not see any evidence of SIGA's plans for advertising and promotions. Nor did we see a business case prepared by SIGA's management detailing how much they wanted to spend on advertising and promotion and how those expenditures would impact SIGA's revenues.

Spending on advertising and promotion

Because of the way SIGA maintains its accounting records and because of the lack of SIGA's clear definition of what is considered as promotion, it is not possible to determine how much SIGA spent for advertising and promotion including sponsorship.

We discuss below the following expenses that were clearly recorded as advertising and promotion. We obtained this information from SIGA's management and SIGA's draft financial statements for the year ended March 31, 2000.

Table 8

Payment to contractors	
North West Nations Gaming Association	$ 2,883,407
Prince Albert Development Corporation	3,089,817
Other advertising and promotion expenses	6,221,693
Board members' travel and sponsorship	106,634
Board members' spousal travel	13,895
Total	$12,315,446

Advertising and promotion by contractors

SIGA contracted with Prince Albert Development Corporation and North West Nations Gaming Association to provide marketing and promotion services. SIGA signed the contract with Prince Albert Development Corporation on October 15, 1998. We do not know when SIGA signed the contract with North West Nations Gaming Association because there was no date on the contract. These organizations are related to the Prince Albert Tribal Council and the Battleford Tribal Council respectively.

The contracts require the contractors and SIGA to develop procedures to measure the impact of the advertising and promotional activities on "gross revenues, community support and spin offs". The contracts also require the contractors and SIGA to develop a business plan and projections within ninety days from the effective date of the contracts. We did not find any evidence that SIGA measured the impact of the advertising and promotional activities on SIGA's "gross revenue, community support and spin offs".

As SIGA did not have a process to measure the impact of its advertising and promotional activities and to monitor the performance of the contractors, SIGA does do not know whether this money was well spent.

Other advertising and promotion

Well-managed organizations establish policies for promoting business and for community development. Such policies generally set out what and who qualifies for the organization's support, who has the authority to approve sponsorship projects, and the annual budget for such activities.

To ensure that financial support is given for the most deserving events, organizations publicly invite applications from those who wish to benefit from a sponsorship program. Organizations assess the proposed events and requests for funding. They then approve the request either as received or with changes. Organizations then follow up to ensure the money is used for intended purposes.

SIGA did not have policies and procedures for funding community events or sponsoring other events. We did not see any evidence of guidelines setting out what events qualify for financial support, who has the authority to approve sponsorship projects and a budget for such projects.

SIGA's marketing vice-president and individual Board members sponsored events without apparent co-ordination. SIGA's marketing division used informal criteria to identify what events or organizations SIGA should support and why. But SIGA had no system to follow up on the support given to ensure the organization receiving SIGA's support spent the money for the purpose intended.

Advertising and promotion related to Board members

Well-managed organizations establish rules and procedures to record sponsorships and promotional expenses. Those systems and procedures require recording of expenses when they are incurred. SIGA did not have adequate systems and procedures to ensure expenses were recorded only when there was evidence that a legitimate expense was incurred.

Sponsorships initiated by individual Board members generally involved Board members and invited guests participating in events like a golf tournament in California, a National Rodeo in Florida and attending events like the Juno Awards in Toronto, and the Saskatchewan Indian Summer Games in Regina. Also, some Board members' spouses went along to these and other events at SIGA's expense. Members and spouses, at times, travelled first class to various destinations like Brisbane, Australia; Barcelona, Spain; Mexico City, Mexico; Nicaragua; Phoenix, Arizona; Albuquerque, New Mexico; Las Vegas, Nevada; Hartford, Connecticut; Orlando, Florida; Geneva, Switzerland; and Paris, France.

Because SIGA did not prepare a business case for advertising, promotion and sponsorships, SIGA does not know what impact Board members' attendance at the above events had on SIGA's revenue generating activities. Also, we do not know what goods and services SIGA received for the money it spent sending Board members and their spouses, invited guests, consultants, and employees to such events. In addition, we did not find any expense reports from these people providing support for how they spent the money SIGA advanced to them.

SIGA records the travelling advances it provides to Board members, consultants, management and employees as expenses. We think SIGA's current practice is not appropriate. SIGA should record the advances it gives to individuals as amounts due from those individuals. SIGA should require all individuals who travel on SIGA's business to provide a report and appropriate support for how they spent money they received from SIGA or return the advance.

We noted many individuals travelled out of province at SIGA's expense to attend championship tours, conferences, symposiums, and golf tournaments. SIGA recorded the cost of travel for these individuals as either promotion or sponsorship expenses. We found no evidence whether SIGA received any promotional benefits for those costs.

As we stated earlier, we found no expense reports for those who received advances for travel purposes showing what expenses they incurred. Nor did we find expense reports from those who received airline tickets from SIGA.

We provide below some examples of the trips that individuals took for promoting SIGA.

- In February 2000, SIGA paid airfare for five people to go to Auckland/Honolulu for a total cost of $14,228 and recorded this cost as promotion expense. According to SIGA's records, these individuals attended "World Indigenous Youth Council Secretariat". We do not know whether these five people were employees, consultants or invited guests. We also do not know whether SIGA paid any other travel related costs for this trip.

- In September 1999, 14 people travelled to Hartford, Connecticut, USA, to tour Foxwoods Casino and attend cultural activities. SIGA spent approximately $45,000 for this trip. The group included the Chief of FSIN, the CEO and his wife, five other Board members, two invited guests, and four employees.

  The above cost does not include accommodation costs for some individuals. SIGA charged those accommodation costs to its corporate credit card. SIGA split the recorded cost of this trip between promotion and sponsorship, staff travel and Board expenses.

- In September 1999, SIGA paid for 20 people to attend the World Gaming Congress in Las Vegas. SIGA spent approximately $44,000 for this trip. The group included four Board members, a spouse of a Board member, one senator of the First Nations, one contractor, four invited guests and nine employees.

  The above cost of $44,000 does not include accommodation costs for some individuals. Those costs were charged directly to SIGA's corporate credit card. SIGA split the recorded cost of this trip between promotion and sponsorship, staff travel and Board expenses.

- In November 1999, the CEO travelled along with his wife to New York, USA; Barcelona, Spain; London, England; and Paris, France. SIGA paid approximately $30,000 for airline tickets for the CEO and his wife. The travel itinerary shows the CEO and his wife used Concorde flights from New York to London and from Paris to New York.

  The purpose of this trip was to attend an Internet Gaming Conference in London, England. SIGA does not operate Internet gaming and Liquor and Gaming has not licensed SIGA to operate such gaming.

  SIGA's records show the CEO and his wife charged approximately $10,000 for accommodation, approximately $3,600 for car rentals in London and Paris. According to SIGA's records, the total cost of this 11-day trip was approximately $57,000. SIGA recorded

approximately $24,000 of this cost to the CEO's advance account and approximately $33,000 to the CEO's travel expenses.

- In February 2000, the CEO travelled to Brisbane, Australia along with his wife, SIGA's corporate legal counsel, and the Director of Operations of Saskatchewan Indian Gaming Licensing Authority (SIGL). SIGA's records show the purpose of this travel was to attend another Internet Gaming Conference. SIGA spent approximately $75,000 for this trip.

  All these people travelled first class. SIGA bought airline tickets for all these people.

  SIGA bought airline tickets for the CEO and his wife for two trips to Brisbane. Each trip cost $24,333. One set of tickets showed the CEO and his wife travelled to Brisbane on February 15, 2000 and the other set of tickets showed the CEO and his wife travelled to Brisbane on February 21, 2000. Both of these sets of tickets had different flight routes to Brisbane. Management told us the CEO had informed them that he had lost the first set of tickets to Brisbane for himself and his wife and that is the reason for buying the second set of tickets.

  Generally, if passengers lose first class airline tickets, the airlines provide replacement tickets and cancel the lost tickets because first class tickets do not usually have any travel restrictions. We do not know what happened to the tickets that were reported lost. The management told us a refund was requested from the airline, but they did not know whether SIGA actually received the refund.

- SIGA advanced $9,500 to the Chief of the FSIN to travel to Geneva, Switzerland to attend the "World Conference on Aboriginal Issues". The Chief of the FSIN is an ex-officio member of SIGA's Board. This Board member also travelled to other destinations in Canada and the USA to attend various First Nations related conferences. Total advances to this Board member amounted to $31,800. SIGA recorded all of these advances as expenses.

Advertising and promotion related to Board members' spouses

As we stated earlier, at times, Board members' spouses travelled with them at SIGA's expense to attend events and conferences to promote SIGA. In public sector organizations, employees and Board members bear the cost of spousal travel when their spouses travel with them.

We do not know what promotional benefits SIGA received from Board members' spousal travel. SIGA spent $13,895 for Board members' spousal travel exclusive of the CEO/Chair of the Board's spouse's travel. SIGA spent approximately $59,000 for CEO/Chair's spousal travel. SIGA recorded the cost of CEO/Chair's spouse's travel as advances to the CEO and recorded the cost of other Board members' spousal travel as advertising and promotion expenses.

Advertising and promotion related to leasing of Hummers

Included in promotion expenses is the cost of leasing a Hummer (an army type of vehicle adapted for public use). SIGA leased a 1997 Hummer for promoting SIGA's casinos. SIGA paid at least $5,250 per month for this lease. At the end of the lease, the vehicle was returned to Eagle Nest Enterprises.

Instead of leasing the vehicle from a dealership, SIGA leased the Hummer from Eagle Nest Enterprises. Eagle Nest Enterprises is owned by an individual who provides other consulting services to SIGA. SIGA did not have a copy of the lease for us to examine.

On November 24, 1999, SIGA leased a newer Hummer for two years from the spouse of a person who had a consulting contract with SIGA and attended Board meetings and received reimbursement for Board expenses. This person was formally appointed as a Board member on June 30, 2000. Under the terms of this lease, SIGA must go to this individual first to lease any further vehicles before leasing vehicles from anywhere else. Simply put, the restriction forced SIGA to lease vehicles from this individual rather than leasing vehicles from those who can provide competitive leasing rates.

We enquired about the cost of leasing a new Hummer from other sources. The following table compares lease rates that SIGA could have obtained through a dealer.

Table 9

Dealer	Current lessor	Dealer A	Dealer B
Assumed annual lease rate	8%	8%	8%
Due on signing	$12,000	$12,500	$15,000
Monthly payments	$6,000	$4,042	$2,650
Lease term	24 months	24 months	24 months
Present value	$139,548	$98,425	$71,334
Residual value [1]	$7,661	$48,784	$75,875

[1] Assumes a manufacturers' suggested retail price of $147,209.

This comparison table shows that lease payments made by SIGA over a two-year period effectively finance the total purchase cost of the vehicle.

General administration

For the year ended March 31, 2000, SIGA recorded approximately $4.5 million (1999 - $2.7 million, 1998 - $1.6 million) for depreciation of assets including leasehold improvements, gaming tables and computer equipment. SIGA also recorded $1.2 million (1999 - $0.7 million, 1998 - $0.4 million) for travel and sustenance costs.

As depreciation charges do not reflect cash payments to individuals and Liquor and Gaming and SIGA are currently discussing how best to record depreciation, we did not pursue this area further.

As we stated earlier, SIGA incorrectly expenses the advances it gives to employees, management and Board members for travel related purposes. Accordingly, the travel and sustenance expenses recorded by SIGA are not accurate.

We think SIGA should ask all those who received advances for travel purposes to provide expense reports supporting for how they spent money or recover those advances from those individuals.

SIGA paid Selwyn Lake approximately $54,000 in September 1999 for a three-day management retreat. SIGA charged this cost to travel expenses (see page 34).

Ancillary operation expenses

During the year ended March 31, 2000, SIGA spent $6.5 million (1999 - $4.8 million) to generate ancillary revenue of $4.6 million (1999 - $3.6 million).

SIGA's ancillary operations include operation of restaurants, bars, and gift shops, including its sale of cigarettes at SIGA's casino locations. SIGA's employees run those operations. Generally, in the gaming industry, ancillary operations are considered loss leaders and are usually operated to provide service to clients and to attract clients inside the casinos.

We compared the gross profit margin for these services with other similar operations. Gross profit margin is the difference between the sale price of an article and the cost to buy it. We provide our analysis below.

SIGA gross profit margin	52%
Casino Regina	71%

SIGA's lower gross profit margin may result from inappropriate selling prices, poor buying practices or poor inventory controls. We did not do any further examination of SIGA's ancillary operations. However, if SIGA continues to operate Casinos, Liquor and Gaming needs to carefully review SIGA's pricing, buying, and inventory practices for these operations.

Building rental

SIGA rents buildings for its casinos and Head Office from tribal councils or Indian bands. Most of these buildings are rented on long-term leases. Most of these buildings were built for casino operations.

When public sector organizations lease capital assets, they perform due diligence procedures to ensure they spend public money properly. Such procedures include calculating the cost of acquiring those assets outright and comparing that cost to the cost of leasing those assets for the period

of use. Also, public sector agencies publicly tender their need for space to ensure they have the opportunity to obtain the best space at the best price.

This way, organizations can better determine whether it is cost effective to acquire the assets or lease them. This is even more important when leasing proposals come from related parties to ensure real or perceived conflict of interest issues are addressed.

The Prince Albert casino building was built for a total cost of $5 million. The building is owned by the Prince Albert Development Corporation (PADC), which is a corporation owned by the Prince Albert Tribal Council. PADC is a related party because all tribal councils appoint their representatives on SIGA's Board of Directors. SIGA leased this building for 20 years at an annual cost of $1 million. We did not see any evidence of due diligence procedures performed by SIGA's management or Board of Directors.

Similarly, we did not see any evidence of due diligence performed by SIGA's management and Board for leasing buildings for casinos at North Battleford, Yorkton and Bear Claw.

SIGA's management told us that the lease rates are more than the local market. They said the leases are with Tribal Councils that have limited access to bank financing. They further said it was necessary to provide sufficient cash to those Councils to finance their debt repayments and that the lease rates were established to accomplish this purpose. We stated earlier, the Casino Operating Agreement provides restrictions on the activities of SIGA specifically the lending of money.

Equipment rental

For the year ended March 31, 2000, SIGA spent approximately $3.5 million (1999 - $3.3 million, 1998 - $2.1 million) for renting equipment. SIGA pays rent to Liquor and Gaming for the slot machines SIGA uses in casinos. SIGA also rents other small equipment from other organizations.

As most of the equipment rental consists of payments to Liquor and Gaming, we compared the cost shown in SIGA's financial statements to

the amounts recorded in Liquor and Gaming's records. We did not find any significant differences. Accordingly, we did not examine further SIGA's activities relating to equipment rental.

Consulting

Before engaging outside consultants, well-managed organizations first explore whether they have in-house expertise in the areas they want studied or researched. If such resources are not available in-house, organizations ensure they make contracts with those consultants who have expertise in the areas organizations need to study.

Also, organizations make certain that contracts with those consultants clearly describe what services they would provide, for what price and period, and when their final report should be provided. Organizations also clarify consultants' responsibilities should they decide to implement the consultants' recommendations. Organizations also evaluate the performance of the consultants to ensure they do not hire poor performing consultants again.

SIGA hires a number of consultants to provide advice on various aspects of casino operations such as staff classification plans, negotiations with other parties on certain business deals, management consulting for certain casino operations, etc. Most of these consulting contracts were with related parties.

SIGA did not evaluate the performance of the consultants. Nor did it have a system in place to ensure consultants provided the services they were hired to provide.

We provide below some examples of SIGA's consulting contracts.

- SIGA made a consulting contract with an employee who was dismissed in January 2000 and given a severance payment of $40,000. In May 2000, this employee was hired on contract to work on a specific project for a fee of $6,000. We do not know why SIGA decided to rehire this employee. This employee did not return the severance payment.

- SIGA also hired another consultant to work with the site manager to review budgets, set strategic goals and assess marketing strategies for Bear Claw Casino. This individual has a contract with SIGA at a yearly amount of $80,000.

  This consultant was also entitled to travel expenses at SIGA's rates including mileage and sustenance costs. The consultant's contract expires in November 2002. The consultant was required to provide quarterly reports to the CEO and Vice-President of Marketing. We did not find any reports for the year ended March 31, 2000 from the consultant. As a result, there is no evidence SIGA received any goods or services for this payment. The consultant's duties are the same as the Casino's General Manager. There was a Casino General Manager at the Bear Claw Casino.

  During the year ended March 31, 2000, SIGA advanced this consultant approximately $11,000 for travel to Albuquerque, New Mexico; Phoenix and Tucson, Arizona. SIGA charged this consultant's advance to promotional expenses. We did not find any expense reports from this consultant.

- As stated earlier, SIGA also bought a business class airline ticket for its corporate legal advisor's travel to Brisbane, Australia. SIGA paid approximately $9,000 for this ticket. According to SIGA's records the advisor travelled to Brisbane to attend an Internet gaming conference in February 2000. SIGA recorded this cost as consulting expenses.

- SIGA made consulting contracts with one Board member and one First Nations senator who sits on the SIGA Board. These contracts are an apparent conflict of interest as the Board members are responsible for overall management of SIGA. The CEO approved the consulting contracts with the Board members. One consulting contract was for less than 12 months duration for approximately $40,000 and the other consulting contract was for three years for $50,000 yearly.

Board expenses

During the year ended March 31, 2000, SIGA recorded $521,383 (1999 - $397,883) as Board of Directors' expenses. In addition, the CEO/Chair of the Board spent approximately $100,000 during the year ended March 31, 2000 for travel and related expenses. In the same period, other Board members spent anywhere from $2,000 to $54,600 each for travel and related expenses. Two Board members did not claim any expenses.

SIGA does not record all the money it pays to Board members under Board expenses. Many of the payments to Board members are charged to promotion, sponsorship, and consulting. As a result, the amount shown as Board expenses on the financial statements is not complete. We estimate that Board expenses for the year ended March 31, 2000 are at least $835,000. At March 31, 2000, SIGA's Board consisted of 16 members (1999 – 14). The Chief of FSIN is an ex-officio member of SIGA's Board.

We think SIGA's Board of Directors' expenses are excessive. We compared SIGA's Board expenses to other public sector organizations. We provide the comparison below.

Table 10

	Board expenses	Total revenue
SIGA (estimate)	$ 835,000	$ 77,000,000
Saskatchewan Crop Insurance Corporation	87,798	189,000,000
Manitoba Lottery Corporation	45,000	463,000,000
SaskPower	27,000[1]	977,000,000

[1]Out of province travel only.

FSIN requires SIGA to follow FSIN's travel and expense policies. SIGA's Board Members are not entitled to receive pay for their services.

FSIN's travel policy sets the following per diem rates (travel allowance) for Chiefs and invited guests:

$150 per day	Saskatchewan, Alberta, Manitoba
$200 per day	Other Provinces and U.S.

The travel allowance covers hotel and meals. If a person claims the travel allowance they cannot claim actual and reasonable costs for hotel and meal costs.

The policy states only actual expenses will be paid based on receipts and the policy sets out In-Province and Out-of-Province meal allowances for executive, staff and contracted personnel. The policy states meal allowances can be claimed without receipts and that the lodging must be claimed by actual receipts or a $25 per night allowance for private lodging.

FSIN's policy also requires:

- a fieldtrip report that shall include the nature of the assignment/business, work performed, places visited, and names of groups and/or persons contacted;
- all travel claims must be submitted to Finance for processing no later than the fifteenth day of the month following the trip;
- all air travel arrangements will be made through the approved travel agent and shall require a purchase order prior to booking; and
- executive travel will be based on actual expenses.

FSIN's policy does not allow claims for spousal travel. FSIN's policy also does not allow Board members to receive advances for travel related expenses.

We think FSIN's travel and expense policy is consistent with Liquor and Gaming and other public sector organizations.

SIGA did not comply with the FSIN's travel and expense policy. Board members did not submit any fieldtrip reports. Board members claimed meals and the travel allowance that includes meals when travelling. Sometimes Board members claimed Out-of-Province meals and the travel allowance that includes meals as described in the FSIN's policy. At times, accounting staff at SIGA's Head Office paid incorrect travel allowances to Board members because they paid them based on U.S. dollars. When Board members trips overlapped, accounting staff paid them twice. We think these errors occurred because accounting staff at SIGA's Head Office were not properly supervised.

We noted instances when SIGA's staff provided airline tickets to Board members, and paid the same Board members a mileage allowance. Board members did not submit receipts for lodging but frequently received payment for lodging ranging from $200 per night to $500 per night.

Some Board members' spouses accompanied them during travel. As stated earlier, SIGA recorded spouses' travel-related costs as promotion expenses. During the year ended March 31, 2000, SIGA recorded $13,895 for Board members' spousal travel as promotion expense. SIGA also spent approximately $59,000 for the CEO/Chair's spousal travel. SIGA recorded this cost as advances to the CEO/Chair.

As stated earlier, Board members did not submit field trip reports (expense reports) showing how they spent money they received from SIGA. Accordingly, we do not know what goods or services SIGA received for the money it gave to the Board members for travel purposes. Board members should either submit fieldtrip reports with receipts or repay the advances they received.

We provide the following examples of Board of Directors' and their invited guests' travel.

- In October 1999, 10 people travelled to Albuquerque, New Mexico. Eight people toured the First Nations casino and attended the National Indian Rodeo Finals. Two people attended a workshop for administrative assistants. The group included five Board members, one Board member's spouse, a consultant, two staff members, and an invited guest. SIGA advanced these people approximately $20,000 for the trip and bought airline tickets to Albuquerque for three people for approximately $7,000. SIGA also paid accommodation costs for some individuals directly. SIGA recorded the advances and direct payments as promotion and sponsorship, board expenses and staff travel. One Board member received airline tickets as well as airfare for this trip.

- Between December 28, 1999 and January 3, 2000, nine people travelled to Phoenix, Arizona. The group included the CEO, his spouse, two other Board members and their spouses, a former Board member, a consultant and an invited guest. The evidence

we have shows the purpose of the trip was to the "Gila River First Nations and Touring Casino". SIGA advanced approximately $20,000 to these people for travel costs and bought first class airline tickets for six people totalling approximately $18,000. We do not know how the remaining three people travelled to Phoenix. SIGA paid some of the accommodation costs directly. SIGA recorded some of the costs of this trip as promotion and sponsorship expenses.

- In April 1999, eight people travelled to Tucson, Arizona to attend the National Indian Gaming Association Conference. The group included the CEO, his spouse, two other Board members, two consultants and two employees. SIGA advanced these people approximately $18,000 and paid for airline tickets directly for six people for approximately $20,000. SIGA bought an airline ticket for one person for $800. Airline tickets for the five other people varied from $3,000 to $4,200 each. We don't know how two people travelled to Arizona. In addition, SIGA paid accommodation costs for some individuals directly. SIGA recorded some of the advances and direct travel costs as promotion and sponsorship expenses.

- In July 1999, 20 people travelled to Vancouver to attend an AFN/NEXUS Business Conference. The group included the CEO, the Chief of the FSIN, six Board members, the spouse of a Board member, one consultant, three invited guests and seven employees. SIGA advanced these people amounts totalling $34,000. SIGA bought airline tickets directly for 12 people for $9,500. We do not know how other people travelled to Vancouver. SIGA also paid accommodation costs for some of these people directly. SIGA recorded the advances to these people and the costs it paid directly to promotion, sponsorship, Board expenses and staff travel.

Saskatchewan Indian Gaming Licensing

During the year ended March 31, 2000, SIGA paid $875,000 (1999 - $1,070,000) to Saskatchewan Indian Gaming Licensing (SIGL) for a licensing fee. SIGL is incorporated under *The Non-profit Corporations Act, 1995.*

SIGL was created under the Framework Agreement dated February 1995 between the Government of Saskatchewan and the FSIN. Under the Agreement, the Government had agreed to authorize SIGL to issue licenses to charitable and religious organizations located on reserves to conduct charitable lotteries on reserves in Saskatchewan. The Government, however, has not yet authorized SIGL to issue any licenses. Liquor and Gaming told us the Government had not authorized SIGL to issue any licenses because SIGL is still learning how to regulate and monitor gaming on reserves.

As the Government has not authorized SIGL to issue any licenses, we do not know what SIGL does to receive a licensing fee from SIGA. Neither SIGA nor Liquor and Gaming can provide us any evidence as to how the license fee to SIGL is determined.

Liquor and Gaming and other licensing authorities establish and publicly state their fee structure for issuing licenses.

We do not know how SIGL spends the money it receives from SIGA as we have not been able to obtain SIGL's financial statements for the last two years. We also note SIGL lost its registration as a corporation with the Department of Justice for not submitting audited financial statements.

The Department of Justice has now reinstated SIGL's registration and has provided SIGL an extension to submit its audited financial statements.

Other expenses

During the year ended March 31, 2000, SIGA recorded approximately $677,000 as site development costs, approximately $53,000 as cultural services costs and $125,000 for an administration fee paid to FSIN. These costs do not seem to be reasonable costs for operating casinos.

Liquor and Gaming approved the site development costs. The site development costs included payments to Indian organizations to generate support to declare the casino locations as Indian reserves. When casino locations become reserves it does not affect the costs of operations. Locating a casino on a reserve does impact the distribution of casino profits to the First Nations Fund. Under the Framework Agreement, the

First Nations Fund receives an additional 25% of the profits of those casinos that are located on reserves (see page 10).

Site development costs consisted of $250,000 paid to Peter Ballantyne Cree Nation, $167,728 paid to Saskatoon Tribal Council, $75,000 paid to Battleford Tribal Council, $75,000 paid to Keeseekoose First Nation, $60,000 paid to Yorkton Tribal Council and $50,088 paid to File Hills Qu-Appelle Tribal Council.

For the $53,000 recorded as cultural services costs, we found no evidence to determine what goods and services SIGA received. The CEO approved and authorized the payments for all the cultural services costs.

During the year ended March 31, 2000, SIGA paid the FSIN $125,000 (1999 - $125,000) for an administration fee. SIGA's management told us there was no service agreement between SIGA and FSIN. Accordingly, we do not know what services the FSIN provided to SIGA for this administration fee. During the year ended March 31, 1999, SIGA paid an additional $200,000 to the FSIN as "sponsorship of the Legislative Assembly". No support was available for us to determine the purpose for this payment.

Political donations

Liquor and Gaming has a policy that it does not make contributions to political parties or candidates directly or indirectly through events designed to help finance a particular person or party.

Our investigation found four payments totalling $3,300 for the year ended March 31, 2000 that were for events to help finance particular persons and a party. We did no further investigation because the amounts were not large and the state of SIGA's records make it difficult to do further investigation.

Liquor and Gaming should ensure SIGA follows Liquor and Gaming's policy for political contributions.

Part C – SIGA's rules and procedures to safeguard and control public money

In this Part, we assess the adequacy of SIGA's rules and procedures to safeguard and control public money and to comply with the law.

Objectives of our work

The objective for this part of our work is to determine whether SIGA had adequate rules and procedures to safeguard and control public money and to comply with authorities for the period April 1,1999 to March 31, 2000. We also wanted to make recommendations as to what Liquor and Gaming must ensure SIGA does to improve its management of public money.

SIGA's governance structure

Before we look at the SIGA's rules and procedures, it is important to describe SIGA's governance structure.

Until June 21, 2000, SIGA's Chief Executive Officer (CEO) also held the position of Chair of the Board of Directors.

A Chair of a Board of Directors is responsible for management of the trusteeship function of the Board. The most important single responsibility of the Chair is to ensure that management delivers satisfactory performance for the Board. It is also the Chair's duty to communicate and act as a bridge between the Board and management.

A CEO is responsible for the general management of the organization and must perform as directed by the Board. A CEO must also ensure the organization adheres to the Board's guidelines and directives while maximizing the profits for the stakeholders.

When an incumbent has both jobs, the Board of Directors incurs a significant risk that it may not be able to oversee the CEO properly. Boards have to reduce this risk to an acceptable level.

Liquor and Gaming demanded and SIGA replied in a letter dated June 29, 2000 that it had separated the role of the CEO and the Chair of the Board of Directors.

To understand fully SIGA's governance model and how it works, we asked the new Chair of the Board to provide us access to the Board of Directors' minutes. The Chair has not yet responded to our request.

SIGA did not provide us Board minutes

The first step in coming to grips with governance issues is to understand how the Board of Directors works. To understand how the Board works, auditors need to examine the Board of Directors minutes. Minutes of the Board of Directors meetings provide insight on governance issues and the corporate risks the Board discussed and how it decided to reduce those risks.

Board members should collectively provide guidance and policy decisions to the corporate management and establish a system to ensure management follows the guidance provided by them and complies with their decisions. Without examining the Board minutes, auditors cannot determine whether the Board provided guidelines and policies to management or whether the management's understanding of those guidelines and policies are consistent with the Board's decisions. When auditors are able to examine the Board minutes, they are able to provide recommendations, if any, to improve the governance practices of the Board for managing the corporate assets.

On September 6, 2000, we wrote to the Chair of the SIGA Board to provide us access to their Board minutes for the period April 1997 to the present date. We informed the Chair we needed the information to determine whether SIGA had adequate rules and procedures to safeguard and control public money and to comply with authorities. We also said we needed the information to determine whether any recommendations are required to improve the Board's governance practices. We asked the Chair to provide us the Board minutes by September 15, 2000. The Chair has not responded to our request.

SIGA prevented us from carrying out our responsibilities to the Legislative Assembly. Because SIGA did not allow us to examine the Board minutes,

we are unable to report fully on SIGA's operations. As a result, there may be additional matters that we might have reported if we had examined the Board's minutes.

Our conclusions

In our opinion, for the year ended March 31, 2000, SIGA did not have adequate rules and procedures to safeguard and control public money and to comply with authorities.

We are unable to report fully because we have not examined SIGA's Board minutes. If we had, we may have made more recommendations.

Our findings

Board needs to manage the affairs of SIGA

A sound system of internal control creates an environment where errors or fraud are either less likely to occur, or if they occur, are more likely to be detected. The role played by the Board of Directors is an important element of internal control in managing the affairs and business of an organization. Through planning and overseeing business activities, a Board of Directors reduces the risk of errors or fraud.

As stated earlier, SIGA is a not-for-profit corporation incorporated under *The Non-profit Corporations Act, 1995* (Act). Section 88 of the Act requires the directors to "manage the activities and affairs of a corporation". The Board of Directors must discharge its duties by exercising the care, diligence and skills that reasonably prudent persons would exercise in comparable circumstances.

In our opinion, the Board did not properly manage SIGA. This allowed unauthorized and inappropriate transactions to occur as discussed in Part B of this Report.

We had expected the SIGA Board would have approved a suitable code of conduct for the organization and would have communicated to all staff what SIGA is all about and what it intends to achieve. The Board would have approved appropriate policies and guidelines to ensure SIGA's assets are properly controlled and safeguarded. Those policies and

guidelines would include policies for reimbursement of Board members' business and travel expenses, declaring real or perceived conflict of interest when such conflict exists, seeking declarations from the senior management about any real or perceived conflict of interest, and regular reporting to monitor management's control.

We found the Board had not formally documented and communicated to its senior management the goals and objectives of SIGA. Nor did we find any evidence of a documented and communicated code of conduct expected from SIGA's work force. Also, the Board had not established conflict of interest policies and guidelines for board members and SIGA employees.

5. **We recommend SIGA should establish a proper code of conduct and that code of conduct should be appropriate for managing public money.**

SIGA's goals and objectives

All organizations need to establish their goals and objectives to enable them to monitor their performance as a whole against their established goals and objectives. We found the Board did not establish and communicate the goals and objectives for SIGA. There was no evidence of what SIGA wanted to achieve and how it would do that.

According to the Framework Agreement between the FSIN and the Minister responsible for Liquor and Gaming, SIGA was established to provide employment opportunities to members of first nations and to provide economic development for the First Nations communities. However, SIGA did not clearly communicate to all those who work at Head Office and various casinos what was meant by the provision of economic development for First Nation communities.

While we note SIGA provided direct employment to about 1,160 First Nations members, we did not see any evidence whether this was what SIGA had expected. The Board had no information on SIGA's impact on the economic development of First Nations businesses and communities. The Board did not ask and, therefore, did not get necessary information to assess whether SIGA's operations had the desired impact on economic development of First Nation businesses and communities.

6. **We recommend SIGA should document and communicate to its senior management the goals and objectives of SIGA.**

Code of conduct and conflict of interest

Organizations must have a code of conduct policy and must communicate that code to their employees. The organization's code of conduct should extend not only to specific areas where society's expectations are included in the law but also to issues of general morality[1].

The Board functions as the guardian of the organization's values and as its conscience. Accordingly, directors pay attention to any discomfort about behaviour and proposals, particularly if the discomfort relates to senior management. If behaviour or a proposal is not consistent with the directors' sense of what is right, it may also breach the organization's code of conduct. Appropriate behaviour and proposals are important when there are perceived or real conflicts of interest.

SIGA did not have a formally approved code of conduct, including guidelines for declaring conflicts of interest. The terms and conditions of the casino license require SIGA to establish appropriate conflict of interest policies.

SIGA buys a considerable amount of goods and services from First Nations communities and various tribal councils.

Most of the Board members and members of senior management have some relationship directly or indirectly with First Nations communities and tribal councils. A rigorous conflict of interest policy would help to ensure all contracts and service agreements with those related parties result in proper use of public money.

In Part B of this Report, we noted several instances where, in our opinion, public money was not spent well. We noted the former CEO used corporate debit and credit cards excessively. Most of that use appeared to be for personal purposes. We also noted excessive Board of Directors' expenses and consulting contracts with Board members. We think appropriate rules and procedures for Board members' pay, travel

[1] *Guidance for Directors – Governance Processes for Control* by The Canadian Institute of Chartered Accountants.

allowances, and reimbursements to senior management for business expenses would help ensure public money is spent well.

7. **We recommend SIGA's Board should establish an appropriate conflict of interest policy for Board members and management.**

8. **We recommend that SIGA's Board should ensure all Board members and senior management comply with the established conflict of interest policy.**

SIGA's Board should prepare a business and financial plan and should receive regular internal performance and assurance reports

Well-managed organizations prepare written annual and multi-year business plans. Those plans set out the desired results the organizations plan to achieve, both in the short term and long term, and how they plan to achieve those results. The Boards of Directors for such organizations provide clear guidance to management reflecting the Boards' views of the organizations' mandates and missions. Management then prepares plans setting out the capital and operating resources needed to accomplish the desired results set out by the Boards.

Once organizations document their business and financial plans and obtain the Boards' approvals, the plans are only changed when necessary to reflect changes in the Boards' views of the organizations' mandates and missions.

To oversee operations, Boards should define and document their financial and operational information needs and tell management what performance they expect. This way the Boards can hold management accountable for the results of the operations and can determine if any corrective action is necessary.

Also, Boards need independent assurance whether management safeguarded the organizations' assets and complied with authorities including the Boards' delegation of authority. Usually, an independent internal audit function provides this assurance.

SIGA does not have written yearly or long-term business and financial plans. SIGA does prepare a yearly financial plan (budget) for the Board of Directors and Liquor and Gaming's approval. We think SIGA's yearly budget is not adequate. The budget does not provide any qualitative analyses and provides no information whether the budgeted operations are in line with industry standards. Also, the budget provides no performance indicators and desired results.

We do not know what performance and financial information management provides to the Board because we have not been given access to the Board of Director's minutes. We, however, have seen SIGA's monthly reporting package to Liquor and Gaming. This package includes comparisons of actual results with the budgeted amounts and provides explanations for differences.

9. We recommend:

- **SIGA should prepare a complete business and financial plan for its operations;**
- **SIGA's Board should define its management reporting needs and communicate those need to management for regular reporting; and**
- **SIGA should establish an independent internal audit function that should report directly to the Board.**

Public accountability

To assess the performance of an organization that uses public money, the Legislative Assembly and the public need to know what the organization is all about, how it manages its key risks, what it has done, where it is now and what it plans to do. They also need information about the organization's goals and objectives and how successful the organization has been in achieving those objectives.

Liquor and Gaming and other public sector agencies make public their annual reports. Those reports, although still needing improvement, have most of the information the Legislative Assembly and the public need to assess those agencies' performance. Those agencies also provide a list of persons who received money from them and the amount each person received.

Public disclosure of who received money from agencies handling public money is important for three reasons. First, public disclosure serves to remind officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

SIGA does not prepare an annual report. *The Non-profit Corporations Act, 1995* requires SIGA to file its audited financial statements with the Department of Justice. Financial statements alone do not provide all the information the public needs to assess SIGA's performance. Public support for organizations increases when organizations are fully transparent and provide performance information to the public and other stakeholders.

10. We recommend:

- **SIGA should report publicly through FSIN and Liquor and Gaming setting out SIGA's planned results and actual results; and**
- **SIGA should make public through FSIN and Liquor and Gaming a list of persons (e.g., employees, suppliers) who have received money from SIGA and the amount each person received.**

SIGA needs to ensure transactions are authorized

A sound system of internal control ensures the proper authorization of each transaction. It should include checks and balances that ensure appropriate authorizations accompany transactions.

A Board's delegation of authority should set out the level of approval required for all transactions. As part of the delegation of authority, boards usually reserve the right to approve certain items themselves. These items generally include the following:

- pay of senior management;
- approval of tenders from contractors over certain limits;

- purchase orders for operating expenses over a certain limit; and
- asset disposal when selling price exceeds a certain amount.

We did not find any evidence that SIGA's Board established and communicated a delegation of authority setting out the level of approval required for all transactions.

As the Board had not established the appropriate delegation of authority, management spent money that should have received the Board's approval. We think the Board should establish and communicate appropriate delegation of authority rules setting the required level of approval for all transactions. The Board should require management to establish necessary controls to ensure management complies with the delegated authority levels.

11. We recommend SIGA's Board should establish appropriate delegation of authority rules for the management.

SIGA needs written policies and procedures

SIGA should have appropriate written policies and procedures to provide guidance to all levels of management and staff. Written policies and procedures reduce the risk of unauthorized or irregular transactions to occur without timely detection.

We found SIGA did not have appropriate policies and procedures in the following areas:

- management and staff pay, benefits, professional development, and performance evaluation;
- board members and senior management expenses and accountable advances;
- keeping of proper books and records ensuring support for all payments and distinguishing between advances and expenses;
- tendering and awarding of contracts for consulting, and property leasing; and
- marketing, promotion, and sponsorship.

In Part B of this Report, we compared SIGA's policies and procedures with those established by other public sector organizations. Lack of

appropriate policies and procedures was one of the significant causes of the problems described in Part B of this Report.

Management and staff pay

SIGA's Board had not provided guidelines for management and staff pay, benefits, professional development, and performance evaluation. As a result, senior management had not established a centralized classification plan for its employees including guidelines for pay, benefits, professional development, and performance evaluation. Also, as we state earlier, the Board did not establish and communicate goals and objectives for SIGA.

The absence of such a plan increases the risk that employees performing similar tasks may not be rewarded equally, resulting in a dissatisfied work force. A dissatisfied work force increases the risk that staff may not perform the tasks as desired and may lead to disruption of business operations.

Also, such a plan ensures that all employees have equal opportunities for professional development and non-performers are counselled, provided further training if necessary or face the consequences if not willing to perform. Better planning will allow SIGA to better co-ordinate its staff training and professional development budgets to obtain maximum value.

SIGA did have written job descriptions for its employees. As the Board had not established goals and objectives for SIGA, and SIGA had no classification, we do not know how SIGA tied in the employees' job descriptions (duties and responsibilities) to its own goals and objectives.

Also, we did not see any written performance evaluations for SIGA's management and staff. When employees do not know on a regular basis whether or not their performance meets their employer's expectations, they cannot be held accountable for their actions or non-actions.

The CEO and other senior management had SIGA's automobiles and other equipment, such as cellular phones and computers. SIGA did not have policies and procedures to determine who should receive such benefits or to clearly define the rules for their use by the Board members and senior management.

12. We recommend SIGA should establish written policies for management and staff pay, benefits, professional development, and performance evaluation.

Board members and senior management expenses and accountable advances

To monitor and control the expenses of Board members and senior management and to ensure such expenses are appropriate, SIGA needs clear policies on the nature and extent of expenses allowed. There should be well-documented procedures regarding the type of expenses permitted, the limits that apply, the approval required and the support required to justify the expenses. Without clear policies and procedures, the practice of claiming expenses is likely to be undisciplined and could lead to abuse of privilege.

SIGA also needs clear policies when staff, management and Board members can ask for accountable advances and who has the authority to approve such requests. SIGA should also establish a policy setting out when those who receive such advances must repay the advances or provide support for their expenses. SIGA should clearly communicate to all employees that advances will be deducted from their pay if they do not provide support within the established time.

SIGA did not have clear written policies and procedures that defined the nature and extent of expenses of Board members and senior management. Nor did SIGA have a clear policy on travel advances and how they should be recorded or recovered.

As we in noted in Part B of this Report, SIGA was required to follow FSIN policies for Board members and senior management expenses. However, SIGA did not comply with those policies.

In our opinion, SIGA should develop comprehensive policies and procedures to monitor and control the expenses of Board members and senior management. Such policies would include rules and procedures to define:

- the class of air travel permitted;
- accommodation and related meal rates;

- mileage reimbursement rates;
- rules for entertainment, including who should be entertained at SIGA's expense and cost limits;
- rules for attending conventions, including who attends conventions and trade fairs and how often;
- policy for spousal travel on SIGA business; and
- rules for travel advances including recovery.

13. **We recommend SIGA should establish an appropriate travel policy for Board members and executive management expenses including spousal travel, business expenses, and travel advances.**

Keeping proper books and records

SIGA needs to ensure that its books and records accurately reflect its business operations and that there is adequate support for all transactions.

We report in Part B of this Report, that SIGA recorded advances given to Board members, management and employees as expenses. Also, SIGA did not receive any expense reports from those individuals supporting how they spent the advances they received from SIGA. We think a lack of clear guidance to accounting staff resulted in inaccurate recording of transactions.

During our work, in addition to unsupported travel expenses, we noted more than a hundred payments totalling approximately $500,000 that did not have supporting documentation. This is not acceptable. Well-managed organizations require support for all payments.

One of the responsibilities of a chief financial officer of an organization is to establish rules and procedures to ensure the organization records all transactions accurately. The chief financial officer of an organization is also responsible to provide guidance to accounting staff about the nature of support and authorization required before payments are made.

SIGA should require its senior management to establish rules and procedures to ensure all transactions are properly supported and recorded.

14. We recommend SIGA should establish adequate policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.

Tendering and awarding of contracts

SIGA must establish appropriate written policies and procedures for tendering and awarding of contracts. Appropriate policies and procedures help ensure contracts are fair, reasonable, and appropriate. Lack of such policies could result in binding SIGA with contracts that are above market rates or for unrealistic terms.

The risk of inappropriate contracts increases when SIGA makes contracts with related parties. Also, when a sole individual has the capacity to bind SIGA for marketing, promotion and sponsorship contracts, the potential for secret commission increases. This risk is even greater when there is no formal independent process to monitor the contractors' performance of services provided. As stated earlier, SIGA should have established policies to ensure there is not conflict of interest or any perceived conflict of interest.

We noted the CEO made most of the contracts with related parties without any apparent involvement of the Board. Although the contracts called for regular evaluation of the contractors' performance, we did not see any formal assessment of their performance.

The Alcohol and Gaming Regulation Act requires all gaming operators to make contracts with only Liquor and Gaming's approved contractors. SIGA did not ensure it complied with the law when making contracts with related or unrelated parties.

Our responsibility does not extend to investigating contracts to see if there were secret commissions.

SIGA should also establish policies for ensuring it makes contracts only with Liquor and Gaming's registered contractors as required by the law.

15. We recommend SIGA should establish appropriate written policies and procedures for tendering and awarding contracts.

Marketing, promotion, and sponsorship

SIGA should define clearly what its marketing and promotion activities should include and how it defines promotion and sponsorship. Policies and procedures should include general criteria for selecting and approving events and general guidelines to ensure those who receive money spend it for the approved purposes.

Well-run organizations in the public sector and the private sector establish rules and procedures to ensure money they spend for marketing, promotion and sponsorship increases their ability to generate revenue. At times, organizations also sponsor certain events that promote their corporate image and to help their communities. When organizations do this, they ensure the money they provide for sponsoring events is used for the purposes intended.

SIGA did not have a process to assess whether the money it spent on marketing, promotion and sponsorship contributed to its revenue generating activities. As stated in Part B of this Report, SIGA's Board members were involved in sponsoring events without any co-ordination. The Board had not issued guidelines on criteria for selecting sponsorship and promotion events. As a result, SIGA spent $12.3 million (1999 - $11.0 million, 1998 - $5.2 million) on marketing, promotion and sponsorship without knowing how, or if, this spending increased its revenues.

16. **We recommend SIGA should establish appropriate policies and procedures for its marketing, promotion, and sponsorship activities. Those policies and procedures should include a clear definition of marketing and promotion activities and an approval process for sponsoring community events.**

Schedule 1

Summarized below are the revenue and expenditures of SIGA for the years ended March 31, 1998, 1999 and 2000.

	2000 (unaudited)	1999	1998
Revenue:			
Slot revenues	$ 65,566,695	$ 59,732,381	$ 49,321,946
Table revenues	6,774,902	6,280,875	6,087,758
Ancillary operations	4,633,155	3,563,357	1,334,075
Other revenues	292,702	278,498	128,914
Total Revenue	77,267,454	69,855,111	56,872,693
Expenditures:			
Salaries & benefits	23,636,418	21,177,150	18,080,131
Advertising & promotion	12,315,446	10,956,452	5,167,535
General & administrative	8,560,220	6,071,332	4,022,206
Ancillary operations	6,463,224	4,833,329	1,572,417
Equipment rental	3,488,614	3,317,114	2,081,191
Goods and Services Tax	2,039,999	670,903	1,390,199
Building rental	1,968,512	1,876,685	1,567,631
Consulting	1,577,626	1,281,055	991,589
Saskatchewan Indian Gaming Licensing fees	875,000	1,070,171	450,455
Site development costs	677,816	---	---
Board expenses	521,383	397,883	289,483
Uniforms and dry-cleaning	510,980	395,411	340,095
Repairs and maintenance	364,828	262,791	126,932
Provision for doubtful accounts	360,000	---	---
Staff training	287,124	231,198	134,478
Gaming supplies	136,452	159,878	140,804
Security	76,884	67,998	61,612
Cash over/short	10,127	(218)	29,676
Interest	9,292	33,692	---
Interest on long-term debt	6,833	35,396	91,849
Gain on sale of capital assets	(3,584)	(2,095)	---
Total expenses	63,883,194	52,836,125	36,538,283
Excess of revenues over expenditures	$ 13,384,260	$ 17,018,986	$ 20,334,410